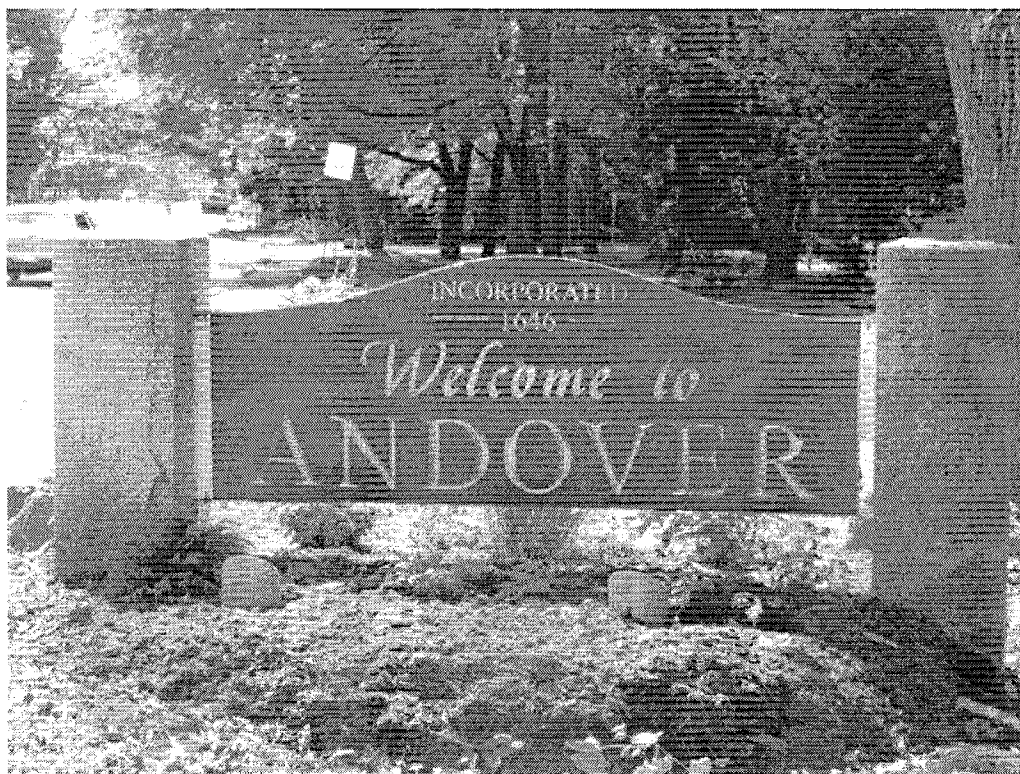
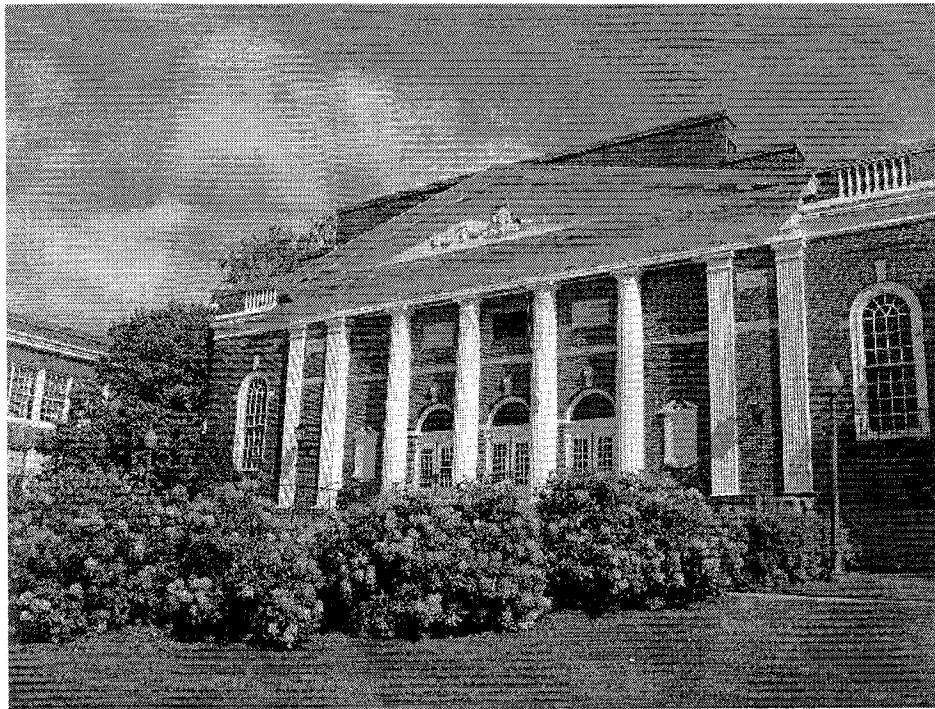


# APPENDICES



# CIP BYLAW, DEFINITIONS, AND FINANCIAL GOALS & OBJECTIVES



**CAPITAL IMPROVEMENT PROGRAM. [AMENDED 4-2-1991, ART. 37]**

- (a) Preparation and submission. The Town Manager annually shall prepare, with the assistance of the Town Planning Board, a five-year capital improvement program. At the request of the Town Manager, all town boards, committees, commissions and other agencies of the town shall submit to the Manager, in such form and according to such schedule of time as the Manager may require, detailed statements of capital improvements requested for their respective boards, committees, commissions and agencies during the next five fiscal years. The Manager shall submit the five-year capital improvement program to the Board of Selectmen at least three months prior to the final date for submission of the annual budget as prescribed by Town Bylaw. Concurrently, copies of the capital improvement program shall also be transmitted to the Finance Committee and School Committee. The capital improvement program shall include:

- (1) A clear general summary of its contents;
- (2) A list of all capital improvements which are proposed to be undertaken during the five fiscal years ensuing, with appropriate supporting information as to the necessity for such improvements;
- (3) Cost estimates, method of financing and recommended time schedules for each such improvement; and
- (4) The estimated annual cost of operating and maintaining any facilities to be constructed or acquired.

The above information may be revised and extended each year with regard to capital improvements still pending or in process of construction or acquisition.

- (b) Action on capital improvement program:

- (1) Notice and hearing. The Board of Selectmen shall cause to be published in one or more newspapers of general circulation in the town the general summary of the capital improvement program and a notice stating: (a) the times and places where copies of the capital improvement program are available for inspection; and (b) the time and place, not less than two weeks after such publication, for a public hearing on the capital improvement program.
- (2) (Meeting with Finance Committee.) After the public hearing but at least 10 days before adoption of the capital improvement program, the Board of Selectmen shall meet and confer with the Finance Committee concerning the program.
- (3) Adoption. The Board of Selectmen by resolution shall adopt the capital improvement program with or without amendment after the public hearing and after conferring with the Finance Committee, at least one month before the required date for submission of the annual budget by the Town Manager.

## CAPITAL PROJECT DEFINITIONS

CAPITAL PROJECT/ITEM : An expenditure greater than \$15,000 or more with a useful life greater than one year for one of the following purposes:

- Acquisition of land;
- Construction, expansion or renovation of a facility. Facilities include buildings, streets, bridges, sidewalks, parking lots, utilities, playing fields, cemeteries, playgrounds, etc.;
- Acquisition of large capital items including vehicles, technology, communication equipment, etc;
- Facility maintenance projects including roof repair, HVAC, electrical, masonry, painting, carpeting, street resurfacing, sidewalk reconstruction, playground equipment/major repairs;
- Planning, feasibility, engineering or design studies related to a capital project.

### CRITERIA FOR SETTING PRIORITIES:

- Highest priority – Projects/items essential to protecting the health/safety of the public, employees and school children; Projects essential to protecting public and private property.
- Second highest priority – Projects/items without which an existing or critically needed service cannot be properly delivered in terms of quality or dependability.
- Third highest priority – Projects/items that produce a cost savings to the Town by reducing future replacement or operating costs; Projects that are responsive to the desires of a significant segment of the community.

### FUNDING SOURCES:

- Borrowing – Projects/items over \$25,000 with a useful life of at least 10 years may be considered for borrowing. The sources of revenues to support Borrowing are:
  - General Fund – Within Proposition 2½
  - Sewer Enterprise Fund and Water Enterprise Fund
  - General Fund – With Debt Exclusion Vote
- Pay-As-You-Go (PAYGO) – Projects/items of \$15,000 or more with a useful life of at least 5 years may be considered for PAYGO funding. The sources of Pay-As-You-Go funds are:
  - Capital Project Fund appropriated within the Plant & Facilities operating budget and supported by General Fund revenues
  - Water and sewer reserves, cemetery receipts, parking receipts, and rental receipts
  - General Fund – With Capital Outlay Exclusion
  - Free Cash warrant articles
- Departmental Operating Budget – Projects/items of less than \$15,000 with a useful life of greater than one year may be considered for funding in departmental operating budgets. The sources of revenues to support Operating budgets are:
  - General Fund
  - Water and sewer reserves, cemetery receipts, parking receipts, and rental receipts;
  - Departmental revolving receipts

# FINANCIAL GOALS AND OBJECTIVES STATEMENTS

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## A. FISCAL POLICIES/GENERAL FUND

1. All current operating expenditures will be paid for with current operating revenues.

The purpose of this policy is to maintain a financially sound operating position for the town by promoting Andover's ability to 1) balance its budget on a current basis, 2) maintain reserves for emergencies, and 3) have sufficient liquidity to pay bills on time to avoid short-term borrowing costs.

The town will avoid budgetary procedures that balance current expenditures at the expense of meeting future years' expenses, such as postponing expenditures, accruing future years' revenues or rolling over short-term debt.

2. The combined balance of Free Cash and Stabilization Fund should be maintained at 3%-7% of general fund operating revenues.

- a. The Town will endeavor to maintain a certified Free Cash balance equal to 3% - 7% of general fund. The Free Cash balance is an important indicator of whether a town is living within its means. A declining balance means that the town is spending more on an annual basis than it is collecting in revenues. Andover's goal is to maintain its Free Cash balance at 3% - 7% as a reserve which can be tapped in case of emergency and to provide enough cash in the bank to meet payrolls and pay the bills without having to borrow in anticipation of taxes. Together with the Stabilization Fund the 3-7% goal is a widely accepted measure of good financial standing and a factor in Andover's bond rating.

Free Cash provides a financial cushion against events such as a sudden loss of a revenue source, an economic downturn, emergency or other unanticipated expenditures, non-recurring capital expenditures and uneven cash flow. A constant decline or a low level of Free Cash indicates a problem in meeting current expenditures and revenue targets, subsidizing the current operating budget, or utilizing reserves for purposes not planned. A sudden decline in free cash may be temporary or related to planned purposes.

- b. The Town will endeavor to maintain a Stabilization Fund. Funds held in Stabilization may be appropriated for one-time capital expenses only.

The Town may appropriate monies into the Stabilization Fund over two or more years for a specific planned capital project in order to avoid borrowing costs.

3. Free Cash in excess of goal should be used for non-recurring or emergency expenditures or appropriated to a stabilization fund for future capital projects and equipment purchases.

This goal, combined with Policy 2, will provide a strategy to avoid creating future operating deficits by over reliance on Free Cash to subsidize the operating budget. The policy should allow, once a reasonable level of Free Cash is attained, for a contingency reserve (either appropriated or unappropriated) to be used for expenditures of a non-recurring nature, capital and equipment purchases, or unexpected, nonrecurring small increases in public service costs.

# FINANCIAL GOALS AND OBJECTIVES STATEMENTS

Year	Certified Free Cash Going into Town Meeting	Free Cash as % of Budget	Amount Spent by Town Meeting	Amount Remaining after Town Meeting
1992	278,413	0.5%	264	278,149
1993	1,179,116	2.1%	379,983	799,133
1994	2,158,766	3.3%	354,300	1,804,466
1995	2,208,322	3.2%	480,500	1,727,822
1996	3,493,524	4.7%	2,167,834	1,325,690
1997	2,399,209	3.1%	765,645	1,633,564
1998	4,272,761	5.1%	2,128,435	2,144,326
1999	5,337,761	5.8%	4,151,008	1,186,753
2000	3,652,583	4.3%	2,810,319	842,274
2001	3,829,165	4.2%	2,848,953	980,212
2002	3,767,004	4.0%	2,923,476	843,528
2003	3,340,240	3.5%	2,855,082	485,158
2004	4,413,574	4.5%	1,313,648	3,099,926

4. Annual budget should include a Capital Projects Fund from current dollars to maintain an equipment replacement and facilities maintenance schedule equal to 2% of General Fund Operating Budget.

Much of the Town's government wealth is invested in our capital plant i.e. buildings, fields, infrastructure, equipment, and vehicles. Long-term debt is an appropriate source of funding for certain types of projects while current revenues should be used for those assets with a short useful life.

5. Annual budget should include 20% of the property taxes from new growth/construction and should be allocated to capital projects fund.

This goal will provide for a source of funding that does not compete with the operating budget but increases or decreases in relation to growth in the budget and growth in the community.

6. Fees and user charges should be reviewed annually in relation to the costs of providing the service.

As State and Federal assistance has declined and/or been eliminated, the Town's local non-property tax revenue base has provided more funding for local services. In order to continue to provide these services without an additional burden on the property tax, these fees should be reviewed to cover, when appropriate, any cost increase or decrease associated with delivering that program or service.

7. ***New Proposed Item:*** When positions are funded with grants or user fees, the budget for the use of those revenues should include a transfer to the General Fund to cover employee health insurance costs.

*Last Revised - January 30, 2003*

# FINANCIAL GOALS AND OBJECTIVES STATEMENTS

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## B. FISCAL POLICIES - WATER & SEWER

1. Rates and fees for water and sewer funds should be set at a level to provide for self-supporting operations.

The water and sewer funds should be reviewed annually to project revenues and expenditures for the next fiscal year, estimates of current year, and projections for future years. Estimates of capital projects and debt service should be included in order to project the impact on water or sewer rates. Any water or sewer costs not supported by user revenues or betterments would place a requirement on the General Fund for financial support.

2. Betterments will be assessed for water and sewer extensions.

In line with Policy 1, water and sewer projects that are extensions on the existing system will be assessed to the property owner according to the betterment formula for water and sewer.

3. Water and sewer main replacements should be scheduled so as to avoid major increases in water and sewer rates.

The current water and sewer funds are established as self-supporting on a cash basis. Revenues are planned to cover operating budgets, indirect and overhead costs, and debt service payments. Depreciation is not funded, therefore, a carefully designed replacement plan is necessary to ensure a rate structure adequate to pay all costs including proposed new long-term debt.

4. Water and sewer debt service should not exceed 40% of water and sewer operating revenues.

Water and sewer capital plan should attempt to invest in the town's water and sewer system at a rate that does not place dramatic increases on the ratepayer. One method for accomplishing this objective is to relate debt service to operating revenues at the 1994 fiscal year base level. This practice would allow increased investment in the Town's enterprises but in proportion to revenue increases.

## C. CAPITAL PLANNING POLICIES

### *New Proposed Section*

#### *1. General*

CAPITAL PROJECT/ITEM: An expenditure greater than \$15,000 or more with a useful life greater than one year for one of the following purposes:

- Acquisition of land;
- Construction, expansion or renovation of a facility. Facilities include buildings, streets, bridges, sidewalks, parking lots, utilities, playing fields, cemeteries, playgrounds, etc.;
- Acquisition of large capital items including vehicles, technology, communication equipment, etc.;
- Facility maintenance projects including roof repair, HVAC, electrical, masonry, painting, carpeting, street resurfacing, sidewalk reconstruction, playground equipment/major repairs;
- Planning, feasibility, engineering or design studies related to a capital project.

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# FINANCIAL GOALS AND OBJECTIVES STATEMENTS

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- *Third highest priority – Projects/items that produce a cost savings to the Town by reducing future replacement or operating costs; Projects that are responsive to the desires of a significant segment of the community.*

## FUNDING SOURCES:

- *Borrowing – Projects/items over \$25,000 with a useful life of at least 10 years may be considered for borrowing. The sources of revenues to support Borrowing are:*
  - *General Fund – Within Proposition 2½*
  - *Sewer Enterprise Fund and Water Enterprise Fund*
  - *General Fund – With Debt Exclusion Vote*
- *Pay-As-You-Go (PAYGO) – Projects/items of \$15,000 or more with a useful life of at least 5 years may be considered for PAYGO funding. The sources of Pay-As-You-Go funds are:*
  - *Capital Project Fund appropriated within the Plant & Facilities operating budget and supported by General Fund revenues*
  - *Water and sewer reserves, cemetery receipts, parking receipts, and rental receipts*
  - *General Fund – With Capital Outlay Exclusion*
  - *Free Cash warrant articles*
- *Departmental Operating Budget – Projects/items of less than \$15,000 with a useful life of greater than one year may be considered for funding in departmental operating budgets. The sources of revenues to support Operating budgets are:*
  - *General Fund*
  - *Water and sewer reserves, cemetery receipts, parking receipts, and rental receipts;*
  - *Departmental revolving receipts*

2. The annual operating cost of a proposed capital project, as well as debt service costs, will be identified before any long-term bonded capital project is recommended.

Capital projects may increase future expenses, decrease future expenses or may be cost-neutral. The funding of capital projects may fall within available revenues (taxes or fees) or new revenue sources (debt or capital exclusions). It is important to project the impact that the proposed capital project has on the operating budget so that operating budget funding sources could also be identified or new funding sources recommended.

3. Capital projects should be reviewed in relation to impact on property tax limitation and annual operating budgets.
  - a. Projects funded with current tax revenues should identify the impact on the annual operating budget.
  - b. Projects funded with long-term debt and not exempted from Proposition 2 1/2 should identify the impact on annual operating budgets.
  - c. Projects funded with long-term debt and exempted from Proposition 2 1/2 should identify the impact on the annual tax rate and/or tax bill. (Debt Exclusion)
  - d. Projects funded with capital exclusion should identify the impact on current annual tax rate and/or tax bill. (Capital Expenditure Exclusion)
4. Funding for discretionary capital projects should be contingent on voter approval of either a debt exclusion or capital expenditure exclusion so that the limited resources available within Proposition 2½ remain available for Town and School operating needs and essential capital projects. Non-discretionary projects are those needed to protect health and safety or to meet legal mandates. Debt Exclusions or Capital Expenditure Exclusions may also be considered for non-discretionary projects on a non-contingent basis.



# FINANCIAL GOALS AND OBJECTIVES STATEMENTS

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## D. DEBT MANAGEMENT POLICIES

1. Long-term debt should not be incurred without a clear identification of its financing sources.

Long-term debt is generally utilized to fund capital projects that have a long useful life and are relatively expensive. Because of the debt service costs and annual appropriations necessary to retire this debt, there should be clear knowledge and commitment of revenue sources available to pay these costs without competing with operating budgets for limited resources. See Financing Options and Capital Planning policies for further discussion.

2. Betterments will be assessed on all capital projects where applicable. (e.g. water, sewer, street, sidewalks, etc.)

When specific benefits accrue to property owner(s), betterments will be assessed in accordance with State Statutes and local policies. This funding source will contribute all or a portion of the costs associated with the capital project.

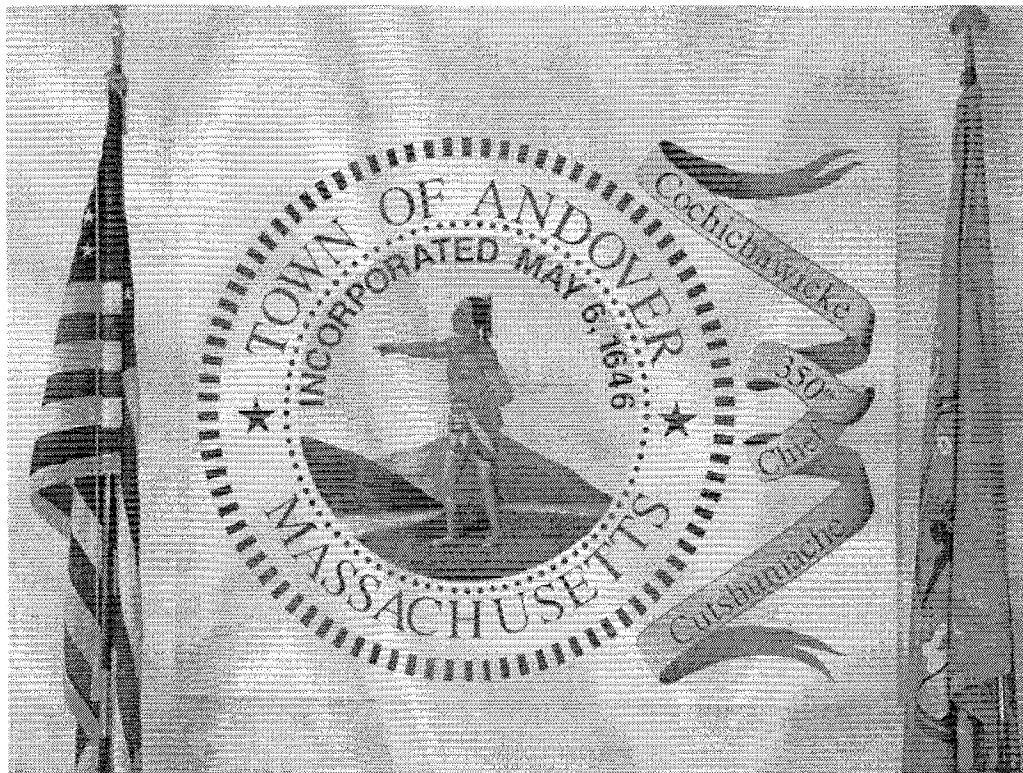
3. General Fund debt service will not exceed 10% of General Fund revenues.

The credit rating agencies, such as Moody's Investors Services, consider debt service on net direct debt (i.e. non-self supporting) exceeding 20% of net operating revenues as a potential problem. Dramatic increases in debt service also indicate potential problems unless revenue sources increase to keep pace with these additions to fixed costs. The 10% benchmark provides a policy to apply to new projects and the growth of revenues to finance such projects.

4. The Town will attempt to maintain a long-term debt schedule so that at least 50% of outstanding principal will be paid within 10 years.

Debt service costs include annual principal and interest payments. Debt service costs are also a significant portion of fixed costs. A reasonable maturity schedule not only reduces interest costs but recognizes that capital needs will continue to be identified and recommended. Credit rating bureaus review these maturity schedules and future capital needs.

# BUDGET PLANNING MODEL AND INFORMATION



# **BUDGET PROCESS**

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The Town of Andover operates under state statutes, locally adopted by-laws, and a Town Charter (Chapter 571 of the Acts of 1956, as amended). The Charter establishes a Selectmen/Town Manager/Open Town Meeting form of government. The five-member Board of Selectmen are according to the Charter "The Makers of policy of the Town Government" (Section 1 - Board of Selectmen), and the Town Manager serves as the Chief Administrative Officer (Section 10 - Powers and Duties).

Financial projections are prepared as part of the Capital Improvement Program for the upcoming fiscal year by the middle of September. These projections are discussed in joint planning sessions with the Strategic Planning Task Force (members of the Board of Selectmen, School Committee and Finance Committee). The projections assist in establishing budget preparation guidelines. In November, the Town Manager distributes his budget guidelines and worksheets to all departments for the next fiscal year starting July 1<sup>st</sup>. Departments prepare their budget requests and return all information to the Finance Director and Town Manager by early winter. During January they meet with department heads to discuss requests.

The Charter requires the Town Manager to submit his recommended budget to the Board of Selectmen and Finance Committee (Section 15 - Estimate of Expenditures). Town By-law, Article IV, Section 6, stipulates that the annual budget shall be submitted to those bodies on or before the first Friday of February of each year.

During the months of February and March the Board of Selectmen and Finance Committee conduct a joint series of public meetings to review and discuss the departmental budgets. These meetings are open for questions from the public. Meeting notices are posted at least 48 hours in advance and the schedule is posted in the local newspaper and on the local government channel 22. The Finance Committee responsibilities are described in Town By-laws Article III, Section 3 (Composition; term of office; powers and duties). The Town Meeting voters are advised on all financial matters by a nine member Finance Committee appointed by the Town Moderator who is elected each year.

## **BUDGET APPROPRIATION AND AMENDMENT**

The legislative body of the Town is an "open town meeting." All registered voters are entitled to attend and vote on any matter that comes before the Town Meeting. Town Meeting has the authority to appropriate funds for the operating and capital budget except for specific cases where state statutes or regulations do not require appropriation. Any amendments to appropriations require Town Meeting vote at either a regular or special town meeting. (Massachusetts General Laws, Chapter 40, Section 5). The procedures for a town meeting are specified in Town By-laws Article II. The Town Meeting warrant (items to be voted on) is published in the local newspaper at least 14 days before the day of the town meeting.

The Finance Committee mails the warrant and its report and recommendations to all households at least 10 days prior to the Annual Town Meeting.

At Town Meeting, reports and recommendations are presented by the Board of Selectmen, Finance Committee, Planning Board, and other interested parties. Town Meeting votes and appropriates the budget and all other financial articles presented at a town meeting.

## **BUDGET BASIS**

The budget for the Town is presented on a cash basis. This means that transactions are recorded when expenditures are disbursed and when revenues are received. Obligations of the town (i.e., outstanding purchase orders) are not reflected as expenditures in the year incurred but are reflected in the year disbursed. Funds for these obligations are reflected as "continued" appropriations from the prior fiscal year.

The budget presents only the General Fund and the Enterprise Funds, which are required by state statute to be appropriated by Town Meeting. Revenues from various Special Revenue Funds are shown as credits within specific department budgets to provide a funding source for specific purposes.

# BUDGET PROCESS

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## BUDGET SCHEDULE

September - October	Pre-budget Planning: Financial forecast and Capital Improvement Program prepared and distributed to Selectmen, Finance Committee and School Committee. Strategic Planning Task Force holds planning meetings.	
November - January	All Town departments submit budget requests to the Town Manager.	All School departments submit budget request to the Superintendent of Schools.
January	Town Manager reviews budget requests and submits his recommended annual budget (this document) to the Board of Selectmen and the Finance Committee.	School Superintendent review budget requests and submits her recommended budget to the Town Manager and School Committee.
February - April	Board of Selectmen and Finance Committee Review Town Manager's Proposed Budget and CIP.	School Committee and Finance Committee review Superintendent's Preliminary Budget.
April	Final Board of Selectmen, Finance Committee and Town Manager recommendations are published and sent to all households in Andover.	School Committee finalizes recommendations and submits them for inclusion in the Finance Committee Report.
Ten days before first Town Meeting business session	Finance Committee report, including Town Meeting Warrant, mailed to all Andover households ten days prior to the start of Town Meeting.	

# BUDGET PLANNING MODEL

October 29, 2004

	FY2005 BUDGET	FY2006 Projected	FY2007 Projected	<u>ASSUMPTIONS</u>
<u>REVENUES</u>				
<u>PROPERTY TAXES</u>				
Prior year Tax Levy Limit	75,252,414	78,892,730	82,865,048	<i>Beginning Tax Levy Limit</i>
2.5% Increase	1,881,310	1,972,318	2,071,626	
General Override	0	0	0	
Certified New Growth	1,759,006	2,000,000	2,000,000	<i>Estimate of new growth</i>
Excess Tax Levy Capacity	0	0	0	<i>No excess levy capacity</i>
TOTAL	78,892,730	82,865,048	86,936,674	
<u>ADDITIONAL PROP 2 1/2 PROPERTY TAXES</u>				
Debt Service Exclusion (Existing)	4,964,627	4,819,977	4,742,092	
Debt Service Exclusion estimate (To be borrowed)	478,300	472,000	442,000	<i>Estimate of additional exempt debt service</i>
less Adjustment from prior year	(212,832)			
Less State Reimbursement	<u>(1,894,649)</u>	<u>(1,894,649)</u>	<u>(1,894,649)</u>	<i>State aid for AHS, South and Sanborn. Elem/Middle in FY2007 (projected)</i>
TOTAL	3,335,446	3,397,328	3,289,443	
<u>STATE AID</u>				
Chapter 70 Education Aid	4,945,356	5,245,356	5,545,356	<i>Assumes \$50/student per year increase</i>
Charter School Tuition Assessment Reimbursement	5,948	5,948	5,948	
School Transportation & State Ward Reimb	0	0	0	
School Construction Reimb SBAB	1,894,649	1,894,649	1,894,649	<i>New schools funded in FY2006</i>
Reserve for Direct Expenditures	58,411	58,411	58,411	
Other General Government Aid	750,129	772,633	795,812	<i>Assumes 3% annual increase</i>
Lottery	<u>1,576,354</u>	<u>1,623,645</u>	<u>1,672,354</u>	<i>Assumes 3% annual increase</i>
TOTAL	9,230,847	9,600,641	9,972,530	
<u>GENERAL LOCAL REVENUES</u>				
Motor vehicle Excise	4,500,000	4,635,000	4,866,750	<i>Collected by departments , not reserved for special purposes</i>
Licenses/Permits	1,533,000	1,625,000	1,706,250	<i>Assumes 3% increase FY06, 5% thereafter</i>
Penalties/Interest	265,000	265,000	265,000	<i>Assumes 3% increase FY06, 5% thereafter</i>
Fines	480,000	480,000	480,000	
General Government	365,000	365,000	365,000	
Fees	124,000	124,000	124,000	
Schools	0	0	0	
Investment income	300,000	300,000	300,000	
Hotel/Motel Excise	710,000	710,000	745,500	
Library	21,000	21,000	21,000	
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	
TOTAL	8,300,000	8,527,000	8,875,500	
<u>OFFSET LOCAL REVENUES</u>				
Community Services	513,820	513,820	513,820	<i>Reserved for direct expenditure within department budgets</i>
Elder Services	162,000	147,010	147,010	
Municipal Facilities	100,000	100,000	100,000	
Spring Grove Cemetery	43,000	43,000	43,000	
Police Off-Duty Fee	60,000	60,000	60,000	
Medicaid Reimbursement	100,000	100,000	100,000	
Ambulance	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	
TOTAL	1,728,820	1,713,830	1,713,830	
<u>ENTERPRISE FUNDS INDIRECT COSTS</u>				
Indirect Costs to General Fund	<u>1,385,704</u>	<u>1,462,965</u>	<u>1,547,876</u>	<i>From Water/Sewer Rate Projections</i>
TOTAL	1,385,704	1,462,965	1,547,876	
<u>OTHER AVAILABLE FUNDS</u>				
Off-Street Parking Fund (Operating Budget)	127,391	127,391	127,391	<i>Reserved for direct expenditure within department budgets</i>
Stabilization Fund	0	0	0	
Cemetery Perpetual care/lots	82,000	82,000	82,000	
CD&P Grants/Wetland fees	6,000	6,000	6,000	
Bond Premium reserved for debt service	158,081			
Warrant Article Balances	0	0	0	
TOTAL	373,472	215,391	215,391	
<u>FREE CASH</u>				
Capital Projects Articles	0	0	0	
Operating budget	1,007,648	1,000,000	1,000,000	<i>Assumes 1 million per year for operating budget</i>
Other Articles	<u>306,000</u>	<u>600,000</u>	<u>600,000</u>	
TOTAL	1,313,648	1,600,000	1,600,000	
* GRAND TOTAL REVENUES *	104,560,667	109,382,203	114,151,244	
INCREASE OVER PRIOR YEAR	1.50%	4.60%	4.40%	

<u>EXPENDITURES</u>			
<u>OBLIGATIONS</u>			
Retirement	3,735,549	3,841,308	3,954,638 <i>Based on 2002 actuarial study and PERAC requirements</i>
Insurance/Unempl Comp	742,000	751,900	774,457 <i>Early estimate of insurance renewals &amp; unemployment compensation</i>
Health insurance	8,325,000	9,573,750	11,009,813 <i>Assumes 15% annual increase</i>
State/County Assmts.	1,605,699	1,733,159	1,826,488
Overlay	700,000	735,000	771,750 <i>Reserve for tax exemptions/abatements</i>
GLTHS	119,836	122,832	125,903
Regional Library	270,000	243,000	243,000
Stabilization Fund	559,006	0	0
Special Education out of district	4,928,101	5,356,331	5,624,148 <i>Assumes 5% increase</i>
Reserve for Direct Expenditures	58,411	58,411	58,411
Other Local Expenditures	<u>84,008</u>	<u>300,000</u>	<u>300,000</u> <i>Reserve for overlay/other deficits and tax title</i>
TOTAL	21,127,610	22,715,691	24,688,608
<u>DEBT SERVICE</u>			
Existing Non-Exempt General Fund Debt	3,155,778	2,607,558	2,239,842 <i>Existing debt service (excludes Prop 2 1/2 exempt debt)</i>
Appropriated/Not Borrowed Non- Exempt General Fund	108,000	535,000	1,014,000 <i>Projects approved by Town Meeting but not yet borrowed</i>
CIP Proposed FY2006			<i>To be determined</i>
General Fund Bond Issue Expense	80,000	80,000	80,000
Appropriated/Not Borrowed Exempt	478,300	472,000	442,000 <i>Projects approved by Town Meeting but not yet borrowed</i>
Existing Exempt Debt - School and Public Safety Center	<u>4,964,627</u>	<u>4,819,977</u>	<u>4,742,092</u> <i>Existing Proposition 2 1/2 exempt debt service costs</i>
TOTAL	8,786,705	8,514,535	8,517,934
<u>JOINT EXPENSES</u>			
Human Resources	366,811	377,815	389,150 <i>Assumes 3% annual increase</i>
Plant and Facilities	2,481,487	2,555,932	2,632,610 <i>Assumes 3% annual increase</i>
Capital Projects Fund	<u>1,700,000</u>	<u>2,177,000</u>	<u>2,283,025</u> <i>Assumes 2% of General Fund budget, no 20% of growth</i>
TOTAL	4,548,298	5,110,747	5,304,784
<u>OFFSET EXPENDITURES</u>			
			<i>Expenditures are offset by dedicated revenues</i>
Community Services	513,820	513,820	513,820
Elder Services	162,000	147,010	147,010
Community Development	6,000	6,000	6,000
Fire	750,000	750,000	750,000
Police	187,391	187,391	187,391
Cemetery	125,000	125,000	125,000
Medicaid services	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
TOTAL	1,844,211	1,829,221	1,829,221
<u>ARTICLES</u>			
From Free Cash	306,000	600,000	600,000 <i>For other warrant articles</i>
From Taxation	0	25,000	25,000 <i>Elderly/disabled transportation program</i>
Other Available Funds	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	306,000	625,000	625,000
* TOTAL DEDUCTIONS *	36,612,824	38,795,194	40,965,547
BALANCE FOR OPERATIONS	67,947,843	70,587,009	73,185,697 <i>Amount available for operating budget</i>
<u>OPERATING BUDGET</u>			
INCREASE OVER PRIOR YEAR	2.39%	3.88%	3.68%
SCHOOL OPERATING (prior to Bucket adds)	43,204,475	44,880,809	46,532,422
% SCHOOL CHANGE (rounded)	3.71%	3.88%	3.68%
TOWN OPERATING (Prior to Bucket adds)	24,743,368	25,703,411	26,649,296
% TOWN CHANGE (rounded)	0.16%	3.88%	3.68%
SCHOOL OPERATING (from above)	43,204,475	44,880,809	46,532,422
Plus Bucket items			
Human Resources	366,811	377,815	389,150
Special ED Out of District & Transp	4,928,101	5,356,331	5,624,148
Medicaid Reimbursements	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
SCHOOL APPROPRIATION	48,599,387	50,714,955	52,645,720
% CHANGE in SCHOOL Appropriation (rounded)	3.52%	4.35%	3.81%

# ANDOVER BUDGET PLANNING MODEL

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## Revenues

### **PROPERTY TAXES**

Proposition 2½ as amended limits the total property tax levy to a maximum increase of 2½% over the prior year's levy limit plus an amount allowed for new construction in town. Base is related to the prior year's actual property tax levy and levy limit. New Growth shows the taxes anticipated from new building in town during the prior fiscal year. The growth figure is calculated using the prior year's tax rates. Additional amounts may be added for overrides through ballot votes and permanently increase the levy limit.

### **ADDITIONAL PROP 2 ½ PROPERTY TAXES**

Proposition 2½ allows communities, by ballot vote, to raise additional property taxes for specific purposes for a limited time. Property taxes can be raised to fund the debt service costs of these specific projects (less State reimbursement).

### **STATE AID**

Funds received from the State on the Cherry Sheet are based on a variety of formulas and the level of funding is determined each year by the State Legislature.

Chapter 70 - Chapter 70 School Aid is based upon a distribution formula established by legislation. The amount of money Andover receives each year from the State depends both on how much is available for local aid and the distribution formula for those funds.

Reserve for Direct Expenditures - Partial reimbursement for costs incurred in serving lunches to school children. While these funds are not appropriated by Town Meeting (i.e. lunch program money earmarked for specific purposes), they are included in the Budget Model to keep it consistent with the Cherry Sheet. The expenditure of these funds is shown on the School line under Offset Expenditures. Chapter 78 funds are for public libraries and these funds are included under Offset Expenditures, Library.

School Reimbursements - Provides partial reimbursement for local expenditures for school transportation programs and costs for providing education to state wards.

Education Reimbursement SBAB - State share of school construction costs. Andover will receive 60% reimbursement for debt services costs for school building projects.

General Government Distribution - Funds from a variety of programs including Regional Library money, Police Career Incentive, Highway Funds, Andover's share of Lottery proceeds, and state reimbursements for certain exemptions and state-owned land. The amount included here for the Regional Library System is matched by the Regional Library appropriation under Obligations.

### **GENERAL LOCAL REVENUES**

Motor Vehicle Excise - Limited by Proposition 2½ to \$25 per \$1000 valuation, the revenue from this tax is directly related to the number and value of motor vehicles registered in town.

Licenses - Included are fees from licenses granted by the Board of Selectmen, fees collected for building permits and licenses granted by the police and fire departments and Town Clerk. The majority of this revenue is directly related to the amount of construction in town.

Penalties/Interest - Interest and penalty charges for late payment of taxes.

Fines - Revenues from motor vehicles violations, court fines and parking tickets.

Special Assessments - Betterments for water and sewer improvements are accounted for in the enterprise funds.

# ANDOVER BUDGET PLANNING MODEL

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## **GENERAL LOCAL REVENUES (Continued)**

General Government - Fees for services provided by various town offices such as copies of public records, certificates of liens, tax title redemptions, etc.

Fees - Fees collected by the various offices.

Investment Income - Revenue generated by the Town Treasurer by investing town funds. This revenue is directly related to the level of cash balances and market interest rates.

Hotel/Motel Excise - Revenue from the 4% room occupancy tax voted by the 1986 Town Meeting.

Library - Miscellaneous library fees.

Cemetery - Fees collected by Spring Grove Cemetery not reserved for perpetual care.

Miscellaneous - Housing Authority payments in lieu of taxes, reimbursements for Veterans expenses, and miscellaneous School Department income.

## **OFFSET LOCAL REVENUES**

Community Services & Elder Services - Income from programs run by Community Services and Elder Services. The portion of departmental operating costs covered by these revenues is shown under Offset Expenditures.

Municipal Facilities - Fees from rental of Town and School buildings are used to offset the costs of the Municipal Facilities budget. These funds are appropriated in the Plant and Facilities budget.

Medicaid Reimbursement - Insurance reimbursement to School Department for eligible services.

Ambulance - Income from ambulance fees is used to offset the cost of providing ambulance service. The portion of the Fire Department budget covered by these fees is shown under Offset Expenditures, Fire.

Police Grants & Police Off-Duty - Various grants as well as state and federal aid for which anticipated revenues are dedicated to a specified purpose. A 10% administrative fee is charged on private detail bills.

## **ENTERPRISE FUNDS**

Water - All capital, operating and indirect costs of Andover's water system are covered by water revenues. Debt service for water mains and the water treatment plant is shown under Debt Service. Water Department operating costs are shown under Offset Expenditures, Water Division. Indirect costs for such things as health insurance for water department employees, billing and accounting, etc., are included in other departmental budgets and are included in the cost analysis when water rates are set.

Sewer - All sewer capital, operating and indirect costs are covered by sewer revenues. Debt service for sewer projects is shown under Debt Service. Sewer Department operating costs, including Andover's share of the costs of the Greater Lawrence Sanitary District, appear under Offset Expenditures, Sewer Division. Indirect costs are funded in other departmental budgets and are included in the cost analysis when sewer rates are set.

## **OTHER AVAILABLE FUNDS**

Off-Street Parking Fund - Revenues from parking meters are used to offset the salaries of parking control staff plus parking related expenses which are appropriated in the Police Budget.

Cemetery Interest/Lots - Perpetual Care interest income and income from sale of lots is used to offset a portion of the operating costs of the Spring Grove Cemetery. These funds are appropriated in the Plant and Facilities Budget.



# ANDOVER BUDGET PLANNING MODEL

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## OTHER AVAILABLE FUNDS (Continued)

Stabilization Fund – This fund is established by Town Meeting and used to accumulate amounts for capital or other future spending purposes, although it may be appropriated for any lawful purpose per MGL Ch. 40 – Powers and Duties of Cities and Towns §513. Communities may appropriate into this fund an annual amount not to exceed ten percent of the prior year's tax levy. A two-thirds vote of Town Meeting or City Council is required to appropriate money from the Stabilization Fund.

Wetland Filing Fees - Funds reserved for use by the Community Development Office to offset conservation and wetland protection costs.

## FREE CASH

The State certifies a certain portion of a town's surplus revenues as legally available for spending by Town Meeting. This amount is known as Free Cash. Articles matches the Articles/Free Cash line on the expenditure side of the model. Andover has tried to maintain a Free Cash certification of 3-7% of total budget as a reserve which can be tapped in case of emergency and to provide enough cash in the bank to meet payrolls and pay the bills without having to borrow in anticipation of taxes. The 3-7% goal is a widely accepted measure of good financial standing and a factor in Andover's bond rating. The recommendation about the use of Free Cash is based on actual revenue collections for the current fiscal year and the adopted goal of the Board of Selectmen.

## Expenditures

All the joint or "bucket" expenditures subtracted first from total revenues are either fixed by some outside authority, totally supported by earmarked revenues or designated as general obligations of the community by agreement of the Board of Selectmen, School Committee, and Finance Committee.

## OBLIGATIONS

Retirement - Expenses for pensions for retired town and school employees (except teachers). There are specific line items voted by Town Meeting for retirement expenses. The amount budgeted is determined by the Public Employee Retirement Administration, a state agency, and is based on the Town's funding schedule. Costs for the Town's share of the teachers early retirement incentive program are also included. Budgeting and administration are the responsibility of the Retirement Board.

Insurance - The combined costs of all insurance policies for both Town and Schools and unemployment compensation. There are specific line items voted by Town Meeting for these purposes. Budgeting and administration are the responsibility of the Town Manager.

Health Insurance - The Town share of health insurance costs for all Town and School employees and retirees (except teachers). Town Meeting votes a specific appropriation for the Health Insurance Fund. The level of benefits offered to Town and School employees is set through collective bargaining. Budgeting and administration are responsibilities of the Town Manager.

State/County Assessments – State Cherry Sheet charges for Andover's share of the costs of the Regional Transit Authority, retired teachers' health insurance and other State assessments. These funds are not appropriated by Town Meeting.

Overlay - An amount which must be held in reserve for property tax abatements and exemptions. These funds are not appropriated by Town Meeting. The amount is determined by the Board of Assessors and included in the calculation of the tax rate.

GLTHS - Andover's share of the costs of the Greater Lawrence Technical High School. The regional school committee prepares the regional school budget. Town Meeting votes a specific appropriation for this purpose.

# ANDOVER BUDGET PLANNING MODEL

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Stabilization Fund - A Town Meeting vote is required to appropriate funds into the Stabilization Fund. Funds appropriated to the Stabilization Fund are held in reserve for future use. A 2/3 Town Meeting Vote is also required to expend funds held in Stabilization.

Regional Library – Expenditures made by Andover Memorial Hall Library for regional services. State revenue offsets these expenditures.

Special Education - Out of District - Tuition and transportation costs for special needs students whose education plans require special placements because appropriate programs are not available in the Andover Public Schools. Budgeting and administration are responsibilities of the School Committee. The funds are appropriated by Town Meeting in the School Budget.

Reserve for Direct Expenditures - State aid for public library and school lunches.

Other Local Expenditures - Miscellaneous tax title expenses, court judgments, etc., which are added to the amount needed to be raised by the Town when the tax rate is set. Revenue and overlay deficits appear in this line. Over expenditures for snow removal or debt service would also show up here. These funds are not appropriated by Town Meeting.

## DEBT SERVICE

These lines include all payments due in the current fiscal year on bonds for all capital projects (excluding Water & Sewer) for both Town and Schools, long term lease obligations for the Town Offices and the Library, short term interest expenses and debt issuing expenses. Also shown separately is debt service for projects approved with debt exclusion overrides of Proposition 2½. Town Meeting appropriates specific amounts for principal and interest expenses. The Town Manager is responsible for budgeting and management of Andover's debt service.

## JOINT EXPENSES

Human Resources - The salaries and expenses for the Human Resources Department which serves both Town and Schools (excluding the School's substitute coordinator). The appropriation for this purpose can be found in the School Budget.

Plant and Facilities - Salaries and expenses for Plant and Facilities, Administration, Building Maintenance, and Plumbing, Heat, and Electrical divisions of the Plant and Facilities Department. The other divisions (Parks and Grounds, Forestry, Cemetery and Vehicle Maintenance) are included in the Town Operating Budget. The Town Manager has responsibility for budgeting and administration.

Capital Projects Fund - An amount appropriated each year for scheduled building repair, equipment, or improvement projects. These funds are included in the appropriation for Plant and Facilities. The Town Manager has responsibility for budgeting and administration. The policies determining the total amount to be budgeted for Maintenance Projects and selection of specific projects for funding are determined by the Board of Selectmen with the Town Manager in the Capital planning process.

## OFFSET EXPENDITURES

Each of these lines is offset by funds from a specific revenue source identified on the Revenue side of the Budget Model.

## ARTICLES

The amount allocated for warrant articles has usually matched the amount shown for that purpose under Free Cash. It is also possible to fund warrant articles from taxation, bonding, transfers of unexpended balances, grants, trust funds, etc. If an article were funded from taxation, this line would not match the Free Cash/Articles line. Projects funded by bonding affect future debt service expenses.

# **ANDOVER BUDGET PLANNING MODEL**

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## **BALANCE AVAILABLE**

This is the amount available for Town and School operations. The percentage increase over what was available for the prior fiscal year is calculated. Town and Schools each get the same percentage increase. Usually the School Budget is calculated first because it is simpler. The Town departmental budgets share the balance. This allocation is reviewed annually. Special circumstances in a particular year may result in an adjustment allocating a larger percentage increase to either Town or Schools.

## **School Share / Town Share**

**The following calculation is used to arrive at equal percentage increases for the School and Town operating budgets.**

1. Take prior year's School Budget
2. Subtract Joint Expenditures included in that year's School Budget (Human Resources less substitute coordinator)
3. Subtract Medicaid.
4. Subtract Special Education Out of District and Transportation costs included in that year's budget.
5. Add percentage increase for Balance Available. The result is the School share of the bottom line.
6. Add Joint Expenditures for this year (Human Resources)
7. Add Special Education Out of District and Transportation Budget for this year.
8. Add Medicaid.
9. Total is School Budget appropriation

# **WATER & SEWER ENTERPRISE BUDGET/RATE FORECASTS**



## BUDGET and RATE PROJECTION

	FY2006 <u>PROJ</u>	FY2007 <u>PROJ</u>	FY2008 <u>PROJ</u>	FY2009 <u>PROJ</u>	FY2010 <u>PROJ</u>
<b>WATER</b>					
WATER Direct Costs:					
Personal services	1,617,383	1,665,905	1,715,882	1,767,358	1,820,379
Ordinary Maint.	2,160,657	2,225,476	2,292,241	2,361,008	2,431,838
Capital Articles	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL DIRECT COSTS	3,778,040	3,891,381	4,008,123	4,128,366	4,252,217
INDIRECT COSTS					
Vehicle Maint.	76,510	78,805	81,170	83,605	86,113
DPW Admin.	105,618	108,786	112,050	115,411	118,874
Gen Admin. and Fin.	270,500	278,615	286,974	295,583	304,450
Maint. Admin	16,455	16,949	17,457	17,981	18,520
Motor Vehicle Ins.	18,394	18,945	19,514	20,099	20,702
Comprehensive Ins.	118,507	122,063	125,725	129,496	133,381
Workmen's Comp.	33,433	34,436	35,469	36,533	37,629
Retirement	251,624	259,172	266,947	274,956	283,205
Health Ins.	299,460	344,379	396,036	455,441	523,757
Engineering	<u>38,914</u>	<u>40,082</u>	<u>41,284</u>	<u>42,523</u>	<u>43,798</u>
TOTAL INDIRECT COSTS	1,229,415	1,302,233	1,382,625	1,471,628	1,570,430
DEBT SERVICE					
Existing Debt	1,458,593	1,451,313	1,237,242	1,188,311	1,068,271
Debt Authorized Not Yet Borrowed	116,000	285,000	278,000	271,000	265,000
CIP Debt					
TOTAL DEBT SERVICE	1,574,593	1,736,313	1,515,242	1,459,311	1,333,271
GRAND TOTAL COSTS	<u>6,582,048</u>	<u>6,929,927</u>	<u>6,905,990</u>	<u>7,059,305</u>	<u>7,155,918</u>
WATER REVENUES					
Water rates (NET)	6,400,000	6,500,000	6,600,000	6,700,000	6,800,000
Use increase	100,000	100,000	100,000	100,000	100,000
RATE factor	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Projected Rate Collections	6,500,000	6,600,000	6,700,000	6,800,000	6,900,000
Service line fee	40,000	40,000	40,000	40,000	40,000
Water testing fee	5,000	5,000	5,000	5,000	5,000
Water liens	40,000	40,000	40,000	40,000	40,000
Water connection	50,000	50,000	50,000	50,000	50,000
Interest income	80,000	80,000	80,000	80,000	80,000
Water betterments	1,947	1,947	1,947	1,947	1,947
Transfer from Reserves	<u>0</u>	<u>112,980</u>	<u>0</u>	<u>42,358</u>	<u>38,971</u>
GRAND TOTAL REVENUES	<u>6,716,947</u>	<u>6,929,927</u>	<u>6,916,947</u>	<u>7,059,305</u>	<u>7,155,918</u>
SURPLUS/(DEFICIT)	134,899	0	10,957	0	0
% Self sufficient	102%	100%	100%	100%	100%
New rate	2.52	2.52	2.52	2.52	2.52
Old rate	<u>2.52</u>	<u>2.52</u>	<u>2.52</u>	<u>2.52</u>	<u>2.52</u>
Rate increase	0.00	0.00	0.00	0.00	0.00

## BUDGET and RATE PROJECTION

	FY2006 <u>PROJ</u>	FY2007 <u>PROJ</u>	FY2008 <u>PROJ</u>	FY2009 <u>PROJ</u>	FY2010 <u>PROJ</u>
<b>SEWER</b>					
SEWER Direct Costs:					
Personal services	370,900	382,027	393,488	405,292	417,451
Ordinary Maint.	283,353	291,854	300,609	309,627	318,916
Capital Articles					
Sewer Assessment	<u>1,377,000</u>	<u>1,404,540</u>	<u>1,432,631</u>	<u>1,461,283</u>	<u>1,490,509</u>
TOTAL DIRECT COSTS	2,031,253	2,078,420	2,126,728	2,176,203	2,226,876
INDIRECT COSTS					
Vehicle Maint.	27,612	28,440	29,293	30,172	31,077
DPW Admin.	19,784	20,378	20,989	21,619	22,267
Gen Admin. and Fin.	42,321	43,590	44,898	46,245	47,632
Maint. Admin	5,856	6,032	6,213	6,399	6,591
Motor Vehicle Ins.	6,170	6,356	6,546	6,743	6,945
Comprehensive Ins.	4,718	4,860	5,006	5,156	5,310
Workmen's Comp.	12,994	13,384	13,786	14,199	14,625
Retirement	26,902	27,709	28,540	29,396	30,278
Health Ins.	42,380	48,738	56,048	64,455	74,124
Engineering	<u>44,812</u>	<u>46,157</u>	<u>47,541</u>	<u>48,968</u>	<u>50,437</u>
TOTAL INDIRECT COSTS	233,550	245,643	258,860	273,352	289,287
DEBT SERVICE					
Existing Debt	2,165,410	2,121,435	1,832,259	1,775,917	1,692,591
Debt Authorized Not Yet Borrowed	278,000	689,000	942,000	1,007,000	984,000
New Debt-CIP	0	0	0	0	0
BAN Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL DEBT SERVICE	2,443,410	2,810,435	2,774,259	2,782,917	2,676,591
TOTAL COSTS	<u>4,708,213</u>	<u>5,134,498</u>	<u>5,159,847</u>	<u>5,232,472</u>	<u>5,192,755</u>
SEWER REVENUES					
Rates (Net actual for FY2004 to start fy2005)	2,862,468	3,229,090	3,628,708	3,728,708	3,828,708
Sewer use increase	100,000	100,000	100,000	100,000	100,000
RATE factor	<u>109%</u>	<u>109%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Projected rate collections	3,229,090	3,628,708	3,728,708	3,828,708	3,928,708
Sewer liens	25,129	25,129	25,129	25,129	25,129
Committed interest	138,000	138,000	138,000	138,000	138,000
Interest income	18,000	18,000	18,000	18,000	18,000
Sewer betterments	150,000	150,000	150,000	150,000	150,000
Sewer betterments (So.Main/Rogers Br)	975,000	975,000	975,000	975,000	975,000
Sewer betterments (Forest Hill/Cross St)	174,000	174,000	174,000	174,000	174,000
State grants					
Transfer from Reserves	<u>0</u>	<u>25,661</u>	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL REVENUES	4,709,219	5,134,498	5,208,837	5,308,837	5,408,837
SURPLUS/(DEFICIT)	1,006	0	48,990	76,365	216,082
% self sufficient	100%	100%	101%	101%	104%
New rate	2.86	3.12	3.12	3.12	3.12
Old rate	<u>2.62</u>	<u>2.86</u>	<u>3.12</u>	<u>3.12</u>	<u>3.12</u>
Rate increase	0.24	0.26	0.00	0.00	0.00

## WATER AND SEWER RATE HISTORY

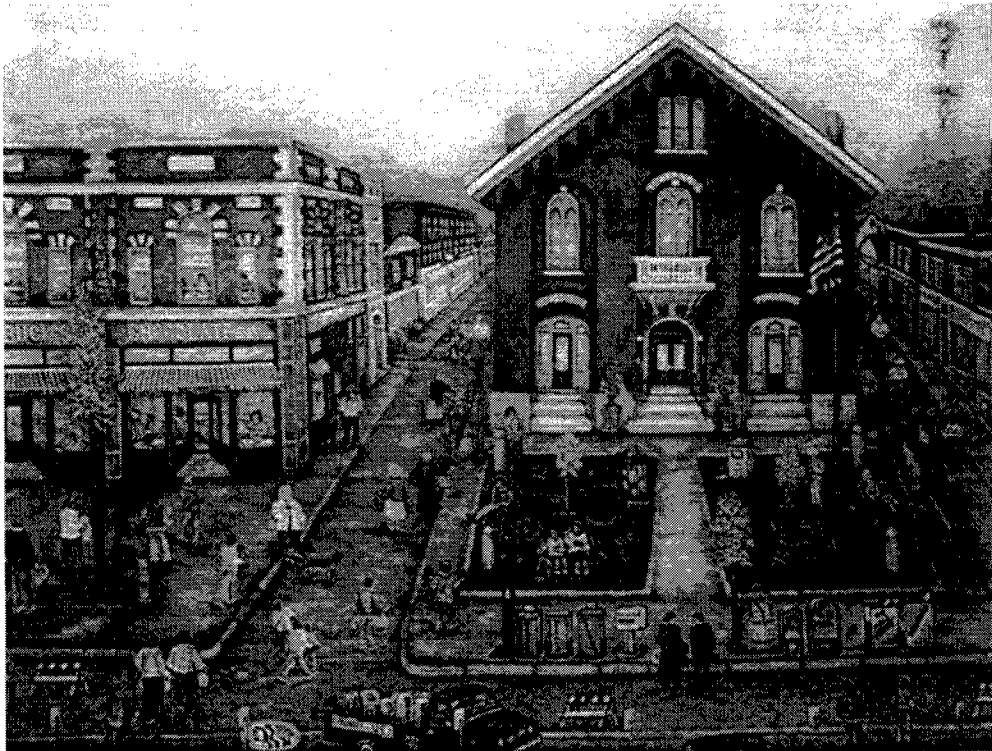
<b>FISCAL <u>YEAR</u></b>	<b><u>WATER RATE</u></b>	<b><u>SEWER RATE</u></b>	<b><u>WATER SALE TO OTHER COMMUNITIES</u></b>
2005	2.52	2.62	3.02
2004	2.52	2.52	3.02
2003	2.52	2.52	3.02
2002	2.52	2.42	3.02
2001	2.52	2.42	3.02
2000	2.52	2.12	3.02
1999	2.52	1.98	3.02
1998	2.52	1.98	3.02
1997	2.52	1.98	3.02
1996	2.52	1.98	3.02
1995	2.52	1.98	3.02
1994	2.52	1.98	3.02
1993	2.33	1.98	2.80
1992	2.33	1.98	2.80
1991	2.20	1.98	2.65
1990	1.91	1.82	2.36

### NOTES

Rates are per 100 cubic feet

Typical residential bill calculated at 12,000 cubic feet per year. Varies depending upon water use

# **DEBT INFORMATION GENERAL & ENTERPRISE FUNDS**



**INCLUDING FY2006 CIP  
DEBT SERVICE PROJECTIONS**

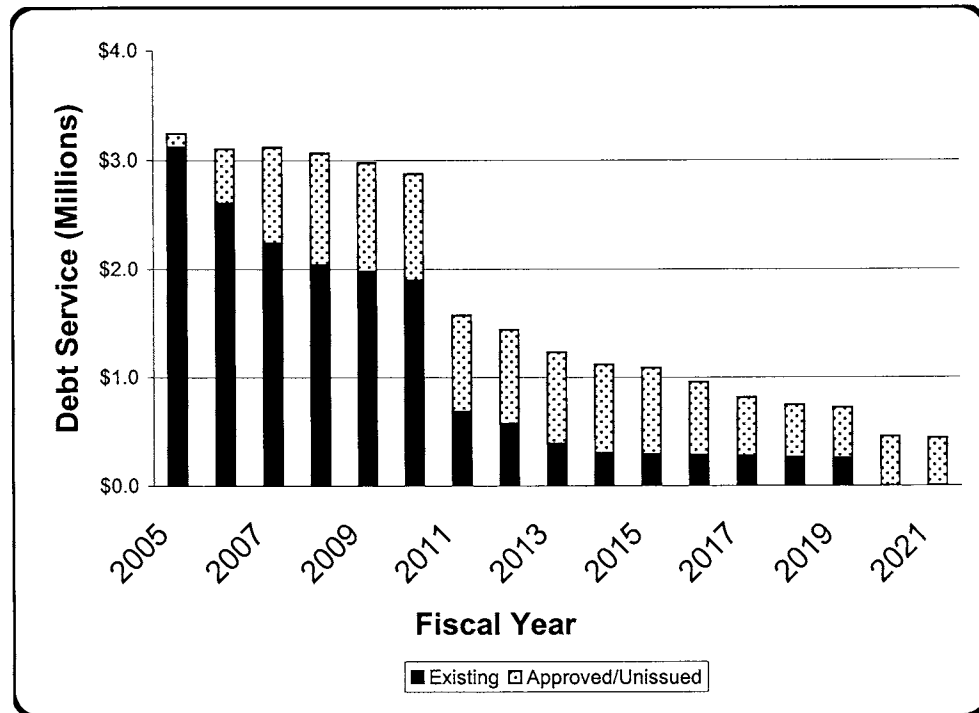


**Town of Andover**  
**Analysis of Bonds Authorized and Outstanding**  
**June 30, 2004**

ARTICLE	PROJECT NAME	AUTHORIZATION	NEW AUTHORIZATIONS	BONDING	CANCELLATIONS	AUTHORIZATION
		01-Jul-03				30-Jun-04
ART 18, 1985	SEWER SYSTEM IMPROVEMENTS	1,160,000.00			1,160,000.00	0.00
ART 26, 1995	FIELD IMPROVEMENTS	384,000.00				384,000.00
ART 47, 1996	SHAWSHEEN FIELD IMPROVEMENTS	4,000.00				4,000.00
ART 16, 1999	PUBLIC SAFETY CENTER (EXEMPTED)	552.00				552.00
ART 41, 1999	SEWER CONSTRUCTION - SO MAIN ST	13,500,000.00		3,000,000.00		10,500,000.00
ART 42, 1999	SEWER CONSTRUCTION - ROGERS BROOK	3,300,000.00		3,300,000.00		0.00
ART 44, 1999	LANDFILL CLOSURE	2,200,000.00				2,200,000.00
ART 74, 1999	MAIN STREET STREETScape	304,000.00				304,000.00
ART 9, 2000	MIDDLE/ELEMENTARY SCHOOL (EXEMPED)	21,938,000.00				21,938,000.00
ART 32, 2000	LAND ACQ - CONSERVATION	1,500,000.00				1,500,000.00
ART 12, 2001	LAND ACQUISITION LOWELL JCT RD	2,000,000.00				2,000,000.00
ART 32, 2001	BRIDGES AND BUILDINGS	1,157,000.00		1,157,000.00		0.00
ART 10, 2002	PUBLIC SAFETY CENTER (ADD'L FUNDING)	830,000.00				830,000.00
ART 11, 2002	NEW SCHOOL ADDITIONAL FUNDING	350,000.00				350,000.00
ART 12, 2002	WEST ELEMENTARY ASBESTOS REMOVAL	1,800,000.00		1,500,000.00		300,000.00
ART 23, 2002	CONSERVATION FUND	1,500,000.00				1,500,000.00
ART 28-1, 2002	TOWN BUILDING IMPROVEMENTS	125,000.00		125,000.00		0.00
ART 28-2, 2002	SCHOOL BUILDING IMPROVEMENTS	935,000.00		935,000.00		0.00
ART 42, 2002	WATER TREAT PLANT DESIGN PLANS	975,000.00		975,000.00		0.00
ART 43, 2002	WATER MAINS	500,000.00				500,000.00
ART 48, 2002	MAIN STREET IMPROVEMENTS	269,500.00				269,500.00
ART 20, 2003	WATER TREATMENT PLANT IMPROVEMENTS	4,480,000.00		2,008,000.00		2,472,000.00
ART 25, 2003	RED SPRING ROAD RETAINING WALL	400,000.00				400,000.00
ART 29, 2004	COLLINS/WEST MIDDLE HVAC		475,000.00			475,000.00
ART 31 2004	RESCUE LADDER VEHICLE		600,000.00			600,000.00
ART 32, 2004	SENIOR CENTER PLANS		350,000.00			350,000.00
ART 35, 2004	SO MAIN/ROGERS BROOK SEWER		1,250,000.00			1,250,000.00
		59,612,052.00	2,675,000.00	13,000,000.00	1,160,000.00	48,127,052.00

**GENERAL FUND DEBT (NON-EXEMPT)**  
**DEBT SERVICE FORECAST (EXCLUDING PROPOSED FY2006 CIP)**

FISCAL YEAR	EXISTING NON-EXEMPT DEBT SERVICE	APPROPRIATED/ NOT YET BORROWED EST. DEBT SERVICE	GRAND TOTAL ALL NEW DEBT SERVICE
2005	3,115,778	128,000	3,243,778
2006	2,607,558	495,000	3,102,558
2007	2,239,842	876,000	3,115,842
2008	2,037,597	1,025,000	3,062,597
2009	1,975,001	1,001,000	2,976,001
2010	1,897,748	978,000	2,875,748
2011	679,513	892,000	1,571,513
2012	568,359	869,000	1,437,359
2013	387,178	844,000	1,231,178
2014	296,756	821,000	1,117,756
2015	287,998	798,000	1,085,998
2016	278,933	674,000	952,933
2017	269,592	543,000	812,592
2018	259,945	482,000	741,945
2019	250,023	468,000	718,023
2020		454,000	454,000
2021		439,000	439,000
2022		425,000	425,000
2023		410,000	410,000
2024		396,000	396,000
2025		382,000	382,000
2026		244,000	244,000
2027		102,000	102,000
			0
<b>TOTAL</b>	<b>\$17,151,821</b>	<b>\$13,746,000</b>	<b>\$30,897,821</b>



## GENERAL FUND DEBT PROJECTIONS-NON EXEMPT

	FY 2006	FY 2006	FY 2006	FY 2006	TOTAL
	DPW-1 Bridge Repairs <b>\$250,000</b>	DPW-7 Moraine St Improvements <b>\$113,000</b>	DPW-10 Sidewalks Reconstruction <b>\$858,000</b>	SCH-4 School Building Repairs <b>\$1,500,000</b>	<b>\$2,721,000</b>
<b><u>COST</u></b>					
<b>Estimated Annual Debt Service</b>	67,000	15,000	199,000	154,000	435,000
	65,000	15,000	193,000	151,000	424,000
	63,000	14,000	187,000	147,000	411,000
	61,000	14,000	181,000	143,000	399,000
	60,000	13,000	175,000	139,000	387,000
	58,000	13,000		136,000	207,000
	56,000	13,000		132,000	201,000
	54,000	12,000		128,000	194,000
	53,000	12,000		124,000	189,000
	51,000	11,000		121,000	183,000
				117,000	117,000
				113,000	113,000
				109,000	109,000
				105,000	105,000
				102,000	102,000
	<b>\$588,000</b>	<b>\$132,000</b>	<b>\$935,000</b>	<b>\$1,921,000</b>	<b>\$3,576,000</b>

	FY 2007	FY 2007	TOTAL
	DPW-10 Sidewalks Reconstruction <b>\$1,104,000</b>	DPW-12 New Sidewalks <b>\$831,000</b>	<b>\$1,935,000</b>
<b><u>COST</u></b>			
<b>Estimated Annual Debt Service</b>	256,000	192,000	448,000
	248,000	187,000	435,000
	240,000	181,000	421,000
	232,000	175,000	407,000
	225,000	169,000	394,000
	<b>\$1,201,000</b>	<b>\$904,000</b>	<b>\$2,105,000</b>

## GENERAL FUND DEBT PROJECTIONS-NON EXEMPT

	FY 2009	FY 2009	TOTAL
	DPW-10 Sidewalks Reconstruction \$989,000	DPW-12 New Sidewalks \$1,183,000	
<b><u>COST</u></b>			<b>\$2,172,000</b>
<b>Estimated Annual Debt Service</b>	229,000	274,000	503,000
	222,000	266,000	488,000
	215,000	257,000	472,000
	208,000	249,000	457,000
	201,000	241,000	442,000
	<b>\$1,075,000</b>	<b>\$1,287,000</b>	<b>\$2,362,000</b>

	FY 2008	FY 2008	FY 2008	FY 2008	TOTAL
	DPW-10 Sidewalks Reconstruction \$857,000	DPW-12 New Sidewalks \$733,000	DPW-1 Bridge Repairs \$250,000	DPW-11 High Plain Reconstruction \$900,000	
<b><u>COST</u></b>					<b>\$2,740,000</b>
<b>Estimated Annual Debt Service</b>	198,000	170,000	67,000	120,000	555,000
	192,000	165,000	65,000	117,000	539,000
	186,000	159,000	63,000	114,000	522,000
	180,000	154,000	61,000	110,000	505,000
	174,000	149,000	60,000	107,000	490,000
			58,000	104,000	162,000
			56,000	101,000	157,000
			54,000	98,000	152,000
			53,000	95,000	148,000
			51,000	92,000	143,000
	<b>\$930,000</b>	<b>\$797,000</b>	<b>\$588,000</b>	<b>\$1,058,000</b>	<b>\$3,373,000</b>

	FY 2010	FY 2010	TOTAL
	DPW-10 Sidewalks Reconstruction \$905,000	DPW-12 New Sidewalks \$279,000	
<b><u>COST</u></b>			<b>\$1,184,000</b>
<b>Estimated Annual Debt Service</b>	210,000	65,000	275,000
	203,000	63,000	266,000
	197,000	61,000	258,000
	191,000	59,000	250,000
	184,000	57,000	241,000
	<b>\$985,000</b>	<b>\$305,000</b>	<b>\$1,290,000</b>

	GENERAL FUND DEBT (PROP 2 1/2 EXEMPT)							
	EXISTING DEBT SERVICE			REMAINING DEBT SERVICE				
FISCAL YEAR	EXISTING EXEMPT DEBT SERVICE	STATE AID SBA (60%)	NET TOTAL EXISTING DEBT SERVICE	BANS	ART 9, 2000* WOOD HILL/ HIGH PLAIN \$4,137,275	ART 10, 2002 PUBLIC SAFETY (REMAINING) \$830,000	NET TOTAL UNISSUED DEBT SERVICE	NET TOTAL ALL EXEMPT DEBT SERVICE
2005	4,964,627	(1,894,650)	3,069,977	265,468		0	265,468	3,335,445
2006	4,819,977	(1,894,650)	2,925,327	438,000		17,000	455,000	3,380,327
2007	4,742,092	(1,894,650)	2,847,442		368,000	74,000	442,000	3,289,442
2008	4,609,904	(1,894,650)	2,715,254		360,000	72,000	432,000	3,147,254
2009	4,459,254	(1,894,650)	2,564,604		352,000	71,000	423,000	2,987,604
2010	4,295,020	(1,894,650)	2,400,370		343,000	69,000	412,000	2,812,370
2011	4,254,374	(1,894,650)	2,359,724		335,000	67,000	402,000	2,761,724
2012	4,256,686	(1,894,650)	2,362,036		327,000	66,000	393,000	2,755,036
2013	3,687,441	(1,894,650)	1,792,791		319,000	64,000	383,000	2,175,791
2014	3,454,643	(1,894,650)	1,559,993		310,000	62,000	372,000	1,931,993
2015	3,401,890	(1,894,650)	1,507,240		302,000	61,000	363,000	1,870,240
2016	3,256,295	(1,894,650)	1,361,645		294,000	59,000	353,000	1,714,645
2017	2,205,388	(1,312,200)	893,188		285,000	57,000	342,000	1,235,188
2018	1,422,344	0	1,422,344		277,000	56,000	333,000	1,755,344
2019	1,366,600	0	1,366,600		269,000	54,000	323,000	1,689,600
2020	1,310,506	0	1,310,506		261,000	52,000	313,000	1,623,506
2021	1,126,938	0	1,126,938		252,000	51,000	303,000	1,429,938
2022	636,959	0	636,959		244,000	49,000	293,000	929,959
2023	358,750	0	358,750		236,000	47,000	283,000	641,750
2024					228,000	46,000	274,000	274,000
2025					219,000	44,000	263,000	263,000
2026					211,000	42,000	253,000	253,000
	58,629,688	(24,048,000)	34,581,688	703,468	5,792,000	1,180,000	7,675,468	42,257,156

NOTE: The \$4,137,275 to be borrowed for Wood Hill and High Plain is the remaining town share after the state grant of \$17,800,725  
The new Massachusetts School Building Authority is developing the grant distribution timetable.

# GENERAL FUND DEBT PROJECTIONS-PROPOSITION 2 1/2 EXEMPT

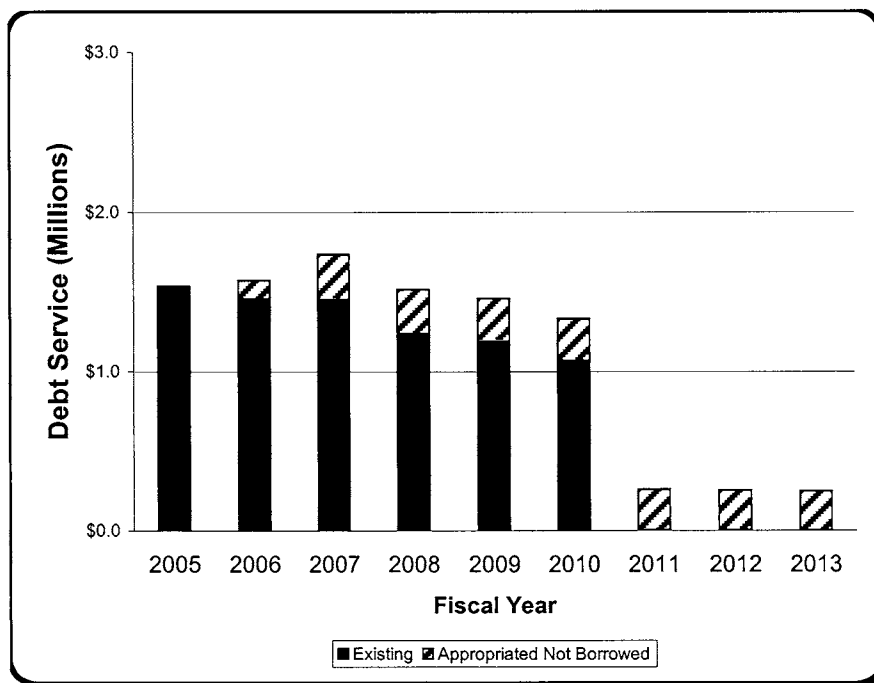
	FY 2006	FY 2007	FY 2008	TOTAL
	ES-1 Senior Center \$6,500,000	F-2 West Fire Station \$2,000,000	F-3 Ballardvale Fire Station \$4,000,000	
<u>COST</u>				\$12,500,000
Estimated Annual Debt Service	579,000	178,000	356,000	1,113,000
	566,000	174,000	348,000	1,088,000
	553,000	170,000	340,000	1,063,000
	540,000	166,000	332,000	1,038,000
	527,000	162,000	324,000	1,013,000
	514,000	158,000	316,000	988,000
	501,000	154,000	308,000	963,000
	488,000	150,000	300,000	938,000
	475,000	146,000	292,000	913,000
	462,000	142,000	284,000	888,000
	449,000	138,000	276,000	863,000
	436,000	134,000	268,000	838,000
	423,000	130,000	260,000	813,000
	410,000	126,000	252,000	788,000
	397,000	122,000	244,000	763,000
	384,000	118,000	236,000	738,000
	371,000	114,000	228,000	713,000
	358,000	110,000	220,000	688,000
	345,000	106,000	212,000	663,000
	332,000	102,000	204,000	638,000
	\$9,110,000	\$2,800,000	\$5,600,000	\$17,510,000

**GENERAL FUND  
DEBT MANAGEMENT PLAN**

				<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>
<b>EXISTING NON-EXEMPT DEBT SERVICE</b>				<b>3,155,778</b>	<b>2,607,558</b>	<b>2,239,842</b>	<b>2,037,597</b>	<b>1,975,001</b>	<b>1,897,748</b>
<b>DEBT AUTHORIZED NOT YET BORROWED</b>									
<u>Authorization</u>	<u>Project</u>	<u>Authorization Remaining</u>	<u>Bond Issue</u> <u>Date</u>						
Art 26, 1995	FIELD IMPROVEMENTS	384,000	0 Hold						
Art 47, 1996	SHAW SHEEN FIELD IMPROVEMENTS	4,000	0 Hold						
Art 44, 1999	LANDFILL CLOSURE	2,200,000	2,200,000 Fall,2005		44,000	196,000	191,000	187,000	183,000
Art 74, 1999	MAIN STREET STREETSCAPE	304,000	304,000 Fall, 2005		5,000	41,000	39,000	38,000	37,000
Art 32, 2000	CONSERVATION FUND	1,500,000	1,500,000 Fall, 2004	30,000	134,000	131,000	128,000	125,000	122,000
Art 23, 2002	CONSERVATION FUND	1,500,000	1,000,000 Fall. 2004	20,000	89,000	87,000	85,000	83,000	81,000
			500,000 Fall, 2005		10,000	45,000	44,000	43,000	42,000
Art 12, 2001	LAND ACQUISITION (REICHOLD)	2,000,000	2,000,000 Fall, 2006			40,000	178,000	174,000	170,000
Art 12, 2002	WEST ELEMENTARY ASBESTOS REMOVAL	300,000	300,000 Fall, 2005		6,000	31,000	30,000	29,000	28,000
Art 48, 2002	MAIN STREET IMPROVEMENTS	269,500	269,500 Fall, 2006		0	5,000	36,000	35,000	34,000
Art 25, 2003	RED SPRING RD RETAINING WALL	400,000	400,000 Fall, 2004	7,000	53,000	52,000	51,000	49,000	48,000
Art 29, 2004	COLLINS CENTER HVAC	475,000	475,000 Fall, 2005		8,000	63,000	62,000	60,000	58,000
Art 31, 2004	FIRE TRUCK	600,000	600,000 Fall, 2004	11,000	80,000	78,000	76,000	74,000	72,000
Art 32, 2004	SENIOR CENTER PLANS	350,000	350,000 Fall, 2005		6,000	47,000	45,000	44,000	43,000
	BAN INTEREST			60,000	60,000	60,000	60,000	60,000	60,000
<b>DEBT AUTHORIZED NOT YET BORROWED</b>				128,000	495,000	876,000	1,025,000	1,001,000	978,000
<b>TOTAL</b>				<b>3,283,778</b>	<b>3,102,558</b>	<b>3,115,842</b>	<b>3,062,597</b>	<b>2,976,001</b>	<b>2,875,748</b>
<b>EXISTING EXEMPT DEBT SERVICE</b>				<b>4,964,627</b>	<b>4,819,977</b>	<b>4,742,093</b>	<b>4,609,904</b>	<b>4,459,254</b>	<b>4,295,020</b>
<b>DEBT AUTHORIZED NOT YET BORROWED</b>									
<u>Authorization</u>	<u>Project</u>	<u>Authorization Remaining</u>	<u>Bond Issue</u> <u>Date</u>						
Art 16, 1999	PUBLIC SAFETY CENTER	552	0 Rescind						
Art 9, 2000	ELEMENTARY/ MIDDLE SCHOOLS	21,938,000	4,137,275 Fall, 2006			368,000	360,000	352,000	343,000
Art 10, 2002	PUBLIC SAFETY CENTER	830,000	830,000 Fall, 2005		17,000	74,000	72,000	70,000	68,000
Art 11, 2002	ELEMENTARY/MIDDLE SCHOOLS	350,000	Hold						
	BAN INTEREST			478,000	455,000	0	0	0	0
<b>TOTAL</b>				478,000	472,000	442,000	432,000	422,000	411,000
State School Building Assistance Grants (impact of new law TBD)									
School Building Assist (New Elem/Middle)-ESTIMATED									
School Building Assist (South,Sanborn,AHS)				1,894,650	1,894,650	1,894,650	1,894,650	1,894,650	1,894,650
State School Building Assistance Grants				1,894,650	1,894,650	1,894,650	1,894,650	1,894,650	1,894,650
<b>Net Total Exempt Debt Service</b>				<b>3,547,977</b>	<b>3,397,327</b>	<b>3,289,443</b>	<b>3,147,254</b>	<b>2,986,604</b>	<b>2,811,370</b>

## WATER ENTERPRISE FUND DEBT FORECAST

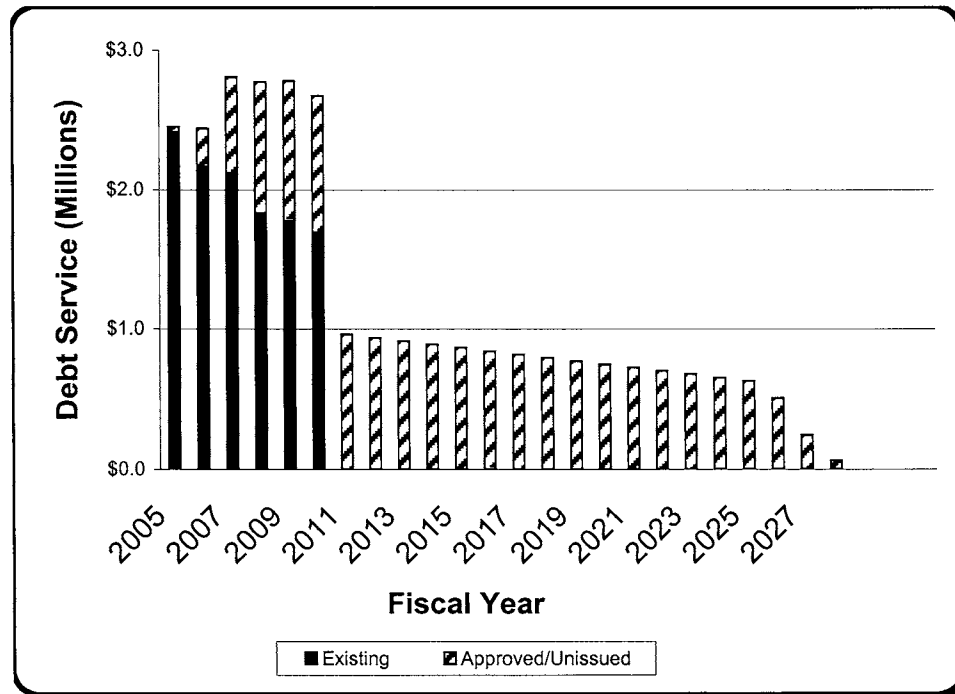
FISCAL YEAR	EXISTING WATER DEBT SERVICE	APPROVED UNISSUED WATER DEBT	TOTAL WATER DEBT SERVICE
2005	1,529,337	9,000	1,538,337
2006	1,458,593	116,000	1,574,593
2007	1,451,313	285,000	1,736,313
2008	1,237,243	278,000	1,515,243
2009	1,188,311	271,000	1,459,311
2010	1,068,271	265,000	1,333,271
2011		258,000	258,000
2012		251,000	251,000
2013		244,000	244,000
2014		238,000	238,000
2015		231,000	231,000
2016		175,000	175,000
2017		170,000	170,000
2018		165,000	165,000
2019		160,000	160,000
2020		155,000	155,000
2021		150,000	150,000
2022		145,000	145,000
2023		140,000	140,000
2024		135,000	135,000
2025		130,000	130,000
2026		126,000	126,000
2027			0
<b>TOTAL</b>	<b>\$7,933,068</b>	<b>\$4,097,000</b>	<b>\$12,030,068</b>





## SEWER ENTERPRISE FUND DEBT FORECAST

FISCAL YEAR	EXISTING SEWER DEBT SERVICE	APPROVED UNISSUED SEWER DEBT	TOTAL SEWER DEBT SERVICE
2005	2,415,041	40,000	2,455,041
2006	2,165,410	278,000	2,443,410
2007	2,121,435	689,000	2,810,435
2008	1,832,259	942,000	2,774,259
2009	1,775,917	1,007,000	2,782,917
2010	1,692,591	984,000	2,676,591
2011		960,000	960,000
2012		936,000	936,000
2013		913,000	913,000
2014		889,000	889,000
2015		866,000	866,000
2016		842,000	842,000
2017		819,000	819,000
2018		795,000	795,000
2019		771,000	771,000
2020		748,000	748,000
2021		724,000	724,000
2022		701,000	701,000
2023		678,000	678,000
2024		654,000	654,000
2025		631,000	631,000
2026		509,000	509,000
2027		245,000	245,000
2028		64,000	64,000
<b>TOTAL</b>	<b>\$12,002,653</b>	<b>\$16,685,000</b>	<b>\$28,687,653</b>



## WATER AND SEWER DEBT SERVICE PROJECTIONS

	FY 2006	FY 2006	FY2007	FY2007	FY2007	FY2007-FY2010	TOTAL
	DPW-5 Water Treatment Plant	DPW-9 Water Supply Plans	DPW-9 Water Supply Improvements	DPW-14 Water Treatment Plant Improvements	DPW-6 Water Meters	DPW-3 Sewer Mains	
<b><u>COST</u></b>	<b>\$4,800,000</b>	<b>\$300,000</b>	<b>\$1,000,000</b>	<b>\$1,430,000</b>	<b>\$900,000</b>	<b>\$400,000</b>	<b>\$8,830,000</b>
<b>Estimated Annual Debt Service</b>	427,000	69,000	89,000	127,000	120,000	40,000	872,000
	418,000	67,000	87,000	124,000	117,000	40,000	853,000
	408,000	65,000	85,000	122,000	114,000	40,000	834,000
	398,000	63,000	83,000	119,000	110,000	40,000	813,000
	389,000	61,000	81,000	116,000	107,000	36,000	790,000
	379,000		79,000	113,000	104,000	36,000	711,000
	370,000		77,000	110,000	101,000	36,000	694,000
	360,000		75,000	107,000	98,000	32,000	672,000
	350,000		73,000	104,000	95,000	32,000	654,000
	341,000		71,000	102,000	92,000	32,000	638,000
	331,000		69,000	99,000		32,000	531,000
	322,000		67,000	96,000		28,000	513,000
	312,000		65,000	93,000		28,000	498,000
	302,000		63,000	90,000		28,000	483,000
	293,000		61,000	87,000		24,000	465,000
	283,000		59,000	84,000			426,000
	274,000		57,000	82,000			413,000
	264,000		55,000	79,000			398,000
	254,000		53,000	76,000			383,000
	245,000		51,000	73,000			369,000
	<b>\$6,720,000</b>	<b>\$325,000</b>	<b>\$1,400,000</b>	<b>\$2,003,000</b>	<b>\$1,058,000</b>	<b>\$504,000</b>	<b>\$12,010,000</b>

**WATER FUND  
DEBT MANAGEMENT PLAN**

				<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>
EXISTING WATER DEBT SERVICE				1,529,337	1,458,593	1,451,313	1,237,243	1,188,311	1,068,271
DEBT AUTHORIZED NOT YET BORROWED									
<u>Authorization</u>	<u>Project</u>	<u>Authorization</u>							
		<u>Remaining</u>	<u>Bond Issue</u> <u>Date</u>						
Art 43, 2002	WATER MAINS	500,000	500,000 Fall, 2004	9,000	67,000	65,000	63,000	61,000	60,000
Art 20, 2003	WATER TREATMENT PLANT	2,472,000	2,472,000 Fall, 2005	<u>0</u>	<u>49,000</u>	<u>220,000</u>	<u>215,000</u>	<u>210,000</u>	<u>205,000</u>
DEBT AUTHORIZED NOT YET BORROWED				9,000	116,000	285,000	278,000	271,000	265,000
TOTAL WATER DEBT SERVICE				1,538,337	1,574,593	1,736,313	1,515,243	1,459,311	1,333,271

**SEWER FUND  
DEBT MANAGEMENT PLAN**

EXISTING SEWER DEBT SERVICE				2,415,041	2,165,410	2,121,435	1,832,259	1,775,917	1,692,591
DEBT AUTHORIZED NOT YET BORROWED									
<u>Authorization</u>	<u>Project</u>	<u>Authorization</u>							
		<u>Remaining</u>	<u>Bond Issue</u> <u>Date</u>						
Art 41, 1999	SEWER CONSTRUCTION - SO MAIN ST	10,500,000	2,000,000 Fall, 2004	40,000	178,000	174,000	170,000	166,000	162,000
			5,000,000 Fall, 2005	0	100,000	445,000	435,000	425,000	415,000
			3,500,000 Fall, 2006	0	0	70,000	312,000	305,000	298,000
Art 35, 2004	SEWER CONSTRUCTION - SO MAIN ST	1,250,000	1,250,000 Fall, 2007	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>111,000</u>	<u>109,000</u>
DEBT AUTHORIZED NOT YET BORROWED				40,000	278,000	689,000	942,000	1,007,000	984,000
TOTAL SEWER DEBT SERVICE				2,455,041	2,443,410	2,810,435	2,774,259	2,782,917	2,676,591

**TOWN OF ANDOVER  
DEBT SCHEDULE  
AS OF JUNE 30, 2004**

ISSUE	ARTICLE	LOAN DATE	2005	2006	2007	2008	2009	2010 - 2014	2015 - 2019	2020 - 2024	06/30/04
<b>EXEMPT</b>											
SCHOOL											
SCHOOL BONDS EXEMPT	ART 20-1, 1994	1-Dec-96	989,397.50	959,147.50	928,597.50	911,412.50	882,590.00	4,036,626.25	2,099,500.00		10,807,271.25
SCHOOL BONDS EXEMPT	ART 20-2, 1994	1-Dec-96	82,537.50	79,537.50	76,537.50	73,862.50	71,500.00	320,431.25	161,500.00		865,906.25
SCHOOL BONDS EXEMPT	ART 19, 1999	15-Dec-00	238,085.00	231,820.00	215,540.00	209,560.00	203,580.00	924,235.00	763,750.00	133,250.00	2,919,820.00
SCHOOL BONDS -Sewer Portion	ART 9, 2000	15-Dec-01	273,075.00	267,475.00	261,875.00	255,075.00	247,875.00	1,141,075.00	943,525.00	314,812.50	3,704,787.50
SCHOOL BONDS EXEMPT	ART 9, 2000	1-Dec-02	606,375.00	595,875.00	585,375.00	574,875.00	561,750.00	2,606,931.25	2,258,637.50	1,533,043.75	9,322,862.50
ADV REF 94/95 LOANS	VARIOUS	15-Jun-03	414,144.29	415,459.06	1,224,156.92	1,184,363.87	1,140,779.75	5,516,628.65	1,974,910.00		11,870,442.54
ADV REF 94/95 LOANS	VARIOUS	15-Jun-03	136,736.35	519,555.04	498,891.76	474,486.05	450,410.41	1,387,708.06			3,467,787.67
ADV REFUNDING	VART 20-1, 1994	15-Jun-03	393,197.44								393,197.44
SCHOOL BONDS	ART 20-1, 1994	15-Jun-03	780,212.57	725,438.95							1,505,651.52
SCHOOL TECHNOLOGY	ART 20-2, 1994	15-Jun-03	54,172.15	51,500.00							105,672.15
TOTAL SCHOOL			3,967,932.80	3,845,808.05	3,790,973.68	3,683,634.92	3,558,485.16	15,933,635.46	8,201,822.50	1,981,106.25	44,963,398.82
<b>PUBLIC SAFETY</b>											
PUBLIC SAFETY CENTER	ART 16, 1999	15-Dec-00	539,775.00	526,350.00	512,400.00	498,600.00	484,800.00	2,207,850.00	1,837,500.00	630,000.00	7,237,275.00
PUBLIC SAFETY CENTER	ART 40, 2001	15-Dec-01	23,825.00	23,300.00	22,775.00	22,137.50	21,462.50	75,668.75	64,512.50	37,862.50	291,543.75
PUBLIC SAFETY CENTER	ART 16, 1999	15-Dec-01	433,093.76	424,518.76	415,943.76	405,531.26	394,506.26	1,822,009.41	1,548,681.25	784,193.75	6,228,478.21
TOTAL PUBLIC SAFETY CENTER			996,693.76	974,168.76	951,118.76	926,268.76	900,768.76	2,775,000.00	4,105,528.16	2,040,693.75	13,757,296.96
TOTAL EXEMPT			4,964,626.56	4,819,976.81	4,742,092.44	4,609,903.68	4,459,253.92	18,708,635.46	12,307,350.66	4,021,800.00	58,720,695.78
<b>PUBLIC SERVICE ENTERPRISES</b>											
WATER DEBT											
ADVANCE REFUNDING	ART 1A, 1987	15-Nov-93	282,918.00	257,874.50	242,972.00	248,589.00	238,575.00	205,000.00			1,475,928.50
ADVANCE REFUNDING	ART 1A, 1987	15-Nov-93	122,925.00	117,865.00	112,640.00						353,430.00
ADVANCE REFUNDING	ART 1A, 1987	15-Nov-93	76,686.50	73,788.50	71,772.00	68,668.00	63,550.00				354,465.00
WATER TRMT PLANT IMP	ART 32, 1995	1-Dec-96	57,500.00	54,500.00	51,500.00						163,500.00
WATER MAIN CONSTRUCTION	ART 46, 1992	1-Dec-96	28,150.00	21,800.00	20,600.00						70,550.00
WATER DIST IMPROVEMENT	ART 24, 1996	15-Nov-97	167,370.00	162,150.00	156,840.00	151,470.00	146,010.00	527,085.00			1,310,925.00
WATER DIST IMPROVEMENT	ART 24, 1996	15-Dec-98	30,368.75	29,425.00	28,475.00	27,512.50	26,525.00	25,512.50			167,818.75
WATER MAINS	ART 61, 1998	15-Dec-98	60,737.50	58,850.00	56,950.00	55,025.00	53,050.00	51,025.00			335,637.50
FISH BROOK	ART 63, 1998	15-Dec-98	48,590.00	47,080.00	45,560.00	44,020.00	42,440.00	40,820.00			268,510.00
MAIN ST WATER DIST	ART 30, 2000	15-Dec-01	117,412.50	114,262.50	111,112.50	107,287.50	103,237.50	297,593.75			850,906.25
ADV REF 94/95 LOANS		15-Jun-03	19,803.77	94,944.64	90,781.95	85,938.36	81,147.75	94,210.54			466,827.01
ADV REF 94/95 LOANS		15-Jun-03	6,084.89	31,625.32	30,201.29	28,550.59	26,916.85	17,293.91			140,672.85
ADV REF 94/95 LOANS		15-Jun-03	28,067.02	28,118.67	142,526.17	136,730.31	130,482.62	242,563.46			708,488.25
ADV REF 94/95 LOANS		15-Jun-03	7,836.43	7,819.00	41,732.34	40,038.94	38,213.76	71,050.44			206,690.91
WATER MAIN BONDS	ART 46, 1996	1-Nov-94	27,592.78								27,592.78
WATER MAINS	ART 32, 1987	1-Nov-94	71,889.21								71,889.21
PUMPING STATION	ART 46, 1993	15-Nov-95	10,467.94	10,161.70							20,629.64
WATER MAINS	ART 46, 1992	15-Nov-95	15,528.53	15,177.12							30,705.65
PUMPING STATION	ART 31, 1995	15-Nov-95	26,169.83	25,404.24							51,574.07
WATER MAINS	ART 33, 1995	15-Nov-95	59,480.72	56,609.00							116,089.72
WATER TREATMENT PLANT	ART 42, 2002	15-Dec-03	84,487.50	82,987.50	81,825.00	80,412.50	78,662.50	368,968.70	323,731.20	249,783.75	1,350,858.65
BRIDGE REPAIR	Art 32, 1995	15-Jun-03	50,605.96	50,154.24							100,760.20
WATER SYSTEM	ART 20 2003	15-Dec-03	179,270.00	168,150.00	165,825.00	163,000.00	159,500.00	748,812.50	658,337.50	555,075.00	2,797,970.00
TOTAL WATER			1,579,942.83	1,508,746.93	1,451,313.25	1,237,242.70	1,188,310.98	2,689,935.80	982,068.70	804,858.75	11,442,419.94

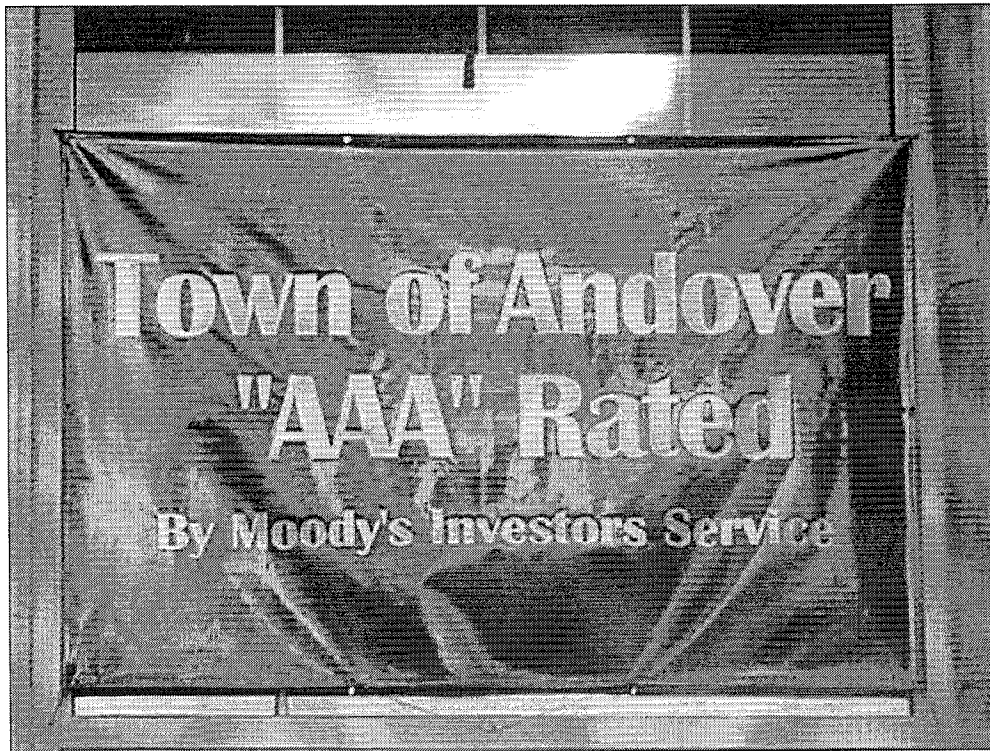
**TOWN OF ANDOVER  
DEBT SCHEDULE  
AS OF JUNE 30, 2004**

ISSUE	ARTICLE	LOAN DATE	2005	2006	2007	2008	2009	2010 - 2014	2015 - 2019	2020 - 2024	06/30/04
<b>SEWER</b>											
ADVANCE REFUNDING	A21,84/26,85	15-Nov-93	257,025.00	246,445.00	235,520.00						738,990.00
ADVANCE REFUNDING	ART 28, 1989	15-Nov-93	54,693.50	52,623.50	50,486.00	47,328.00	46,125.00				251,256.00
SEWER PILGRIM/PIONEER	ART 32, 1997	15-Nov-97	22,650.00	21,780.00	20,895.00	10,225.00					75,550.00
SEWER MAYFLOWER	ART 35, 1997	15-Dec-98	64,556.25	62,480.00	60,390.00	58,272.50	56,100.00				301,798.75
SEWER BROOK/CHESTNUT	ART 33, 1998	15-Dec-98	62,172.50	60,285.00	58,385.00	56,460.00	54,485.00	86,742.50			378,530.00
SEWER BALMORAL	ART 51, 1998	15-Dec-98	13,172.50	12,795.00	12,415.00	12,030.00	11,635.00	35,717.50			97,765.00
SEWER PLANS SO MAIN ST	ART 31, 1998	15-Nov-99	142,975.00								142,975.00
SEWER PLANS ROGERS BROOK	ART 34, 1998	15-Nov-99	40,850.00								40,850.00
SEWER PLANS FOREST HILLS	ART 20, 1999	15-Nov-99	51,062.50								51,062.50
SEWER CONST BEACON ST	ART 43, 1999	15-Nov-99	18,183.76	42,201.26	40,643.76	39,068.76	37,471.88	35,831.25			213,400.67
SEWER SOUTH MAIN ST	ART 41, 1999	15-Dec-01	442,187.50	433,437.50	424,687.50	414,062.50	402,812.50	1,860,468.75	1,581,562.50	805,937.50	6,365,156.25
SEWER FOREST HILLS	ART 13, 2000	15-Dec-01	300,687.50	294,737.50	288,787.50	281,562.50	273,912.50	1,265,118.75	1,075,462.50	548,037.50	4,328,306.25
SEWER SOUTH MAIN ST	ART 41, 1999	1-Dec-02	346,500.00	340,500.00	334,500.00	328,500.00	321,000.00	1,489,675.00	1,290,650.00	876,025.00	5,327,350.00
SEWER ROGERS BROOK	ART 42, 1999	1-Dec-02	86,625.00	85,125.00	83,625.00	82,125.00	80,250.00	372,418.75	322,662.50	219,006.25	1,331,837.50
SEWER	ART 41, 1999	15-Dec-03	256,725.00	252,225.00	248,737.50	244,500.00	239,250.00	1,123,218.75	987,506.25	832,612.50	4,184,775.00
SEWER	ART 42, 1999	15-Dec-03	254,975.00	260,775.00	262,362.50	258,125.00	252,875.00	1,209,959.40	1,074,798.15	1,137,903.75	4,711,773.80
TOTAL SEWER			2,415,041.01	2,165,409.76	2,121,434.76	1,832,259.26	1,775,916.88	7,479,150.65	6,332,641.90	4,419,522.50	28,541,376.72
TOTAL PUBLIC SERVICE ENTERPRISES			3,994,983.84	3,674,156.69	3,572,748.01	3,069,501.96	2,964,227.86	10,169,086.45	7,314,710.60	5,224,381.25	39,983,796.66
<b>GENERAL FUND NON-EXEMPT</b>											
<b>SCHOOL DEBT</b>											
MIDDLE SCHOOL ROOF REPL	ART 44, 1996	1-Dec-96	13,935.00	13,335.00	12,735.00	12,200.00	11,727.50	32,245.00			96,177.50
H/S RENOVATION	ART 23, 1996	1-Nov-97	132,420.00	128,505.00	124,522.50	130,270.00	194,110.00	453,740.00			1,163,567.50
H/S RENOVATION	ART 23, 1996	15-Dec-98	163,550.00	153,360.00	148,230.00	143,032.50	137,700.00				745,872.50
SCHOOL RENOVATIONS	ART 69, 1998	15-Dec-98	88,632.50	95,800.00	92,760.00	89,680.00	86,520.00	122,460.00			575,852.50
TRACK/WINDOWS	ART 70, 1998	15-Dec-98	88,897.50	86,255.00	83,595.00	90,705.00	87,545.00	147,972.50			584,970.00
SCHOOL BUILDINGS	ART 28-2 2002	15-Dec-03	95,240.50	93,305.50	89,326.50	87,575.00	85,405.00	396,838.75	340,744.25		1,188,435.50
TOTAL SCHOOL			582,675.50	570,560.50	551,169.00	553,462.50	603,007.50	1,153,256.25	340,744.25	0.00	4,354,875.50
<b>STREET</b>											
ROAD REPAIR	ART 66, 1996	1-Dec-96	5,450.00	5,150.00							10,600.00
ROAD IMPROVEMENTS	ART 26, 1996	1-Dec-96	57,500.00	54,500.00	51,500.00						163,500.00
ROAD IMPROVEMENTS	ART 30, 1997	15-Nov-97	57,750.00	55,575.00	53,362.50	51,125.00					217,812.50
HUSSEY BROOK/RIVER ST	ART 59, 1998	15-Dec-98	11,737.50	11,360.00	10,980.00	10,595.00	10,200.00				54,872.50
SIDEWALK SALEM ST	ART 83, 1999	15-Dec-00	32,047.50	30,705.00							62,752.50
SIDEWALK HIGHPLAIN RD	ART 68, 2000	15-Dec-00	26,706.25	25,587.50							52,293.75
SIDEWALK CHESTNUT ST	ART 70, 2000	15-Dec-00	64,095.00	61,410.00							125,505.00
ROAD BONDS LINCOLN CR	ART 54, 2000	15-Dec-00	31,416.25	30,297.50	24,250.00	23,330.00	22,410.00	41,975.00			173,678.75
SIDEWALKS	ART 22, 2001	15-Dec-01	119,275.00	115,425.00	101,750.00						336,450.00
ROAD REPAIR BONDS	ART 50, 1994	15-Jun-03	42,152.15								42,152.15
BRIDGE REPAIR	ART 54, 1994	15-Jun-03	19,068.83								19,068.83
BRIDGE REPAIR	Art 35, 1995	15-Jun-03	50,605.96	50,154.24		0.00	0.00				100,760.20
TOTAL STREET			517,804.44	440,164.24	241,842.50	85,050.00	32,610.00	41,975.00	0.00	0.00	1,359,446.18

**TOWN OF ANDOVER  
DEBT SCHEDULE  
AS OF JUNE 30, 2004**

ISSUE	ARTICLE	LOAN DATE	2005	2006	2007	2008	2009	2010 - 2014	2015 - 2019	2020 - 2024	06/30/04
<b>MUNICIPAL FACILITIES</b>											
MHL-HVAC	ART 45, 1996	1-Dec-96	22,120.00	21,220.00	20,320.00	24,400.00	23,455.00	64,490.00			176,005.00
SENIOR CENTER	ART 24, 1997	15-Dec-98	23,475.00	22,720.00	21,960.00	21,190.00	20,400.00				109,745.00
PEARSON ST ACQ	ART 58, 1998	15-Dec-98	22,685.00	21,930.00	21,170.00	10,595.00	10,200.00				86,580.00
TOWN BUILDING RENOVATION	ART 36, 1998	15-Dec-98	76,293.75	73,840.00	71,370.00	68,867.50	66,300.00				356,671.25
BUILDING RENOVATION	ART 45, 1999	15-Nov-99	124,900.00	120,575.00	116,125.00	111,625.00	107,062.50	102,375.00			682,662.50
SENIOR CENTER	ART 24, 2000	15-Dec-00	33,140.00	32,245.00	60,625.00	58,325.00	56,025.00	104,937.50			345,297.50
TOWN/SCHOOL BLDG PROJECTS	ART 26, 2000	15-Dec-01	98,562.50	95,937.50	93,312.50	95,000.00	91,400.00	254,900.00			729,112.50
DPW BUILDINGS	ART 39, 2001	15-Dec-01	39,000.00	37,950.00	36,900.00	35,625.00	34,275.00	95,587.50			279,337.50
PUBLIC BUILDINGS	ART 28-1, 2002	15-Dec-03	14,564.50	14,249.50	11,526.00	11,300.00	11,020.00	51,205.00	43,967.00		157,832.00
<b>TOTAL MUNICIPAL FACILITIES</b>			<b>454,740.75</b>	<b>440,667.00</b>	<b>453,308.50</b>	<b>436,927.50</b>	<b>420,137.50</b>	<b>673,495.00</b>	<b>43,967.00</b>	<b>0.00</b>	<b>2,923,243.25</b>
<b>PUBLIC SAFETY</b>											
FIRE TRUCK	ART 55, 1997	15-Dec-98	93,900.00	90,880.00	87,840.00	84,760.00	81,600.00				438,980.00
PUBLIC SAFETY FACILITY	ART 16, 1999	15-Nov-99	249,800.00	241,150.00	232,250.00	223,250.00	214,125.00	204,750.00			1,365,325.00
ADV REF 94/95		1-Nov-03	4,467.26	4,468.26	23,849.57	22,881.88	21,838.87	40,604.95			118,110.79
FIRE TRUCK	ART 37, 1995	15-Jun-03	25,302.98	25,077.12							50,380.10
<b>TOTAL PUBLIC SAFETY</b>			<b>373,470.24</b>	<b>361,575.38</b>	<b>343,939.57</b>	<b>330,891.88</b>	<b>317,563.87</b>	<b>245,354.95</b>	<b>0.00</b>	<b>0.00</b>	<b>1,972,795.89</b>
<b>LAND ACQUISITION</b>											
ADVANCE REFUNDING	A21,87/26,88	15-Nov-93	59,892.00	57,316.00							117,208.00
LAND ACQUISITION	ART 62, 1993	15-Dec-98	75,518.75	68,160.00	65,880.00	63,570.00	61,200.00				334,328.75
LAND ACQUISITION	ART 53, 1996	15-Dec-98	129,112.50	124,960.00	120,780.00	116,545.00	112,200.00				603,597.50
LAND ACQUISITION	ART 9A, 1996	15-Dec-98	161,350.00	156,820.00	152,260.00	147,640.00	142,900.00	510,250.00			1,271,220.00
LAND ACQUISITION	ART 19, 2001	15-Dec-01	19,500.00	18,975.00	18,450.00	17,812.50	17,137.50	47,793.75			139,668.75
LAND ACQUISITION	ART 62, 1993	15-Jun-03	39,141.28								39,141.28
ACQUIRE PEARSON ST	ART 54, 1994	15-Jun-03	23,083.32								23,083.32
LAND ACQUISITION	ART 62, 1993	15-Jun-03	20,935.86	20,323.39							41,259.25
<b>TOTAL LAND ACQUISITION</b>			<b>528,533.71</b>	<b>446,554.39</b>	<b>357,370.00</b>	<b>345,567.50</b>	<b>333,437.50</b>	<b>558,043.75</b>	<b>0.00</b>	<b>0.00</b>	<b>2,569,506.85</b>
<b>LIBRARY LEASE/LEASEBACK</b>											
		15-Dec-89	301,165.00								301,165.00
			301,165.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	301,165.00
<b>SHAWSHOEN FIELD IMPROVEMENT</b>											
REC PARK IMPROVE	ART 47, 1996	1-Dec-96	13,935.00	13,335.00	12,735.00	12,200.00	11,727.50	32,245.00			96,177.50
	ART 25, 1995	15-Nov-97	23,560.00	22,690.00	21,805.00	20,910.00	10,230.00				99,195.00
			37,495.00	36,025.00	34,540.00	33,110.00	21,957.50	32,245.00	0.00	0.00	195,372.50
<b>TOTAL GENERAL FUND NON-EXEMPT</b>			<b>3,065,172.14</b>	<b>2,557,404.01</b>	<b>2,239,842.07</b>	<b>2,037,596.88</b>	<b>1,975,001.37</b>	<b>3,829,554.35</b>	<b>1,346,489.40</b>	<b>0.00</b>	<b>17,051,060.22</b>
<b>GRAND TOTAL</b>			<b>12,024,782.54</b>	<b>11,051,537.51</b>	<b>10,554,682.52</b>	<b>9,717,002.52</b>	<b>9,398,483.15</b>	<b>29,932,276.26</b>	<b>16,863,022.50</b>	<b>7,205,487.50</b>	<b>115,755,552.66</b>

# ANDOVER'S FISCAL OUTLOOK MOODY'S INVESTORS SERVICE



MOODY'S ASSIGNS MIG 1 RATING TO TOWN OF ANDOVER'S (MA) \$3.9 MILLION  
G.O. BOND ANTICIPATION NOTES - Aaa AFFIRMATION AFFECTS \$89.4 MILLION  
IN LONG-TERM PARITY DEBT

Andover (Town of) MA

Municipality

Massachusetts

Moody's Rating

Issue	Rating
Bond Anticipation Notes, Series 2004	MIG 1
Sale Amount	\$3,900,000
Expected Sale Date	06/01/04
Rating Description	GO Bond Anticipation Notes

NEW YORK, May 27, 2004 -- Moody's Investors Service has assigned a rating of MIG 1 to Andover's (MA) \$3.9 million General Obligation Bond Anticipation Notes (dated 6/10/04, due 12/10/04). Concurrently, Moody's has affirmed the town's outstanding Aaa rating, affecting \$89.4 million in long-term parity debt.

The current issue is secured by a general obligation, limited tax pledge, as debt service falls within the levy limits of Proposition 2 1/2. Proceeds will provide new financing for sewer and water projects, and land acquisition. Assignment of Moody's highest quality short-term rating reflects the town's demonstrated market access, as well as underlying credit factors that include satisfactory financial performance, substantial and diverse tax base with future growth opportunities, and a manageable debt position benefiting from self-supporting enterprises and school construction aid.

DEMONSTRATED MARKET ACCESS

Andover has demonstrated access to the capital markets, having received five bids on the December 2003 note sale, nine bids on the June 2003 note sale, and five bids on the June 2003 sale of two-year notes. All bids were received from major financial institutions.

CONTINUED STABILITY ANTICIPATED IN FINANCES, CHARACTERIZED BY SOLID RESERVE LEVELS

Moody's anticipates that the town will maintain a solid financial Position given sustained revenue growth resulting from ongoing development, strong property tax collections, and conservative revenue assumptions. Results from the fiscal 2003 audit indicate slight growth in the General Fund balance to \$13.8 million (11.6% of revenues) from \$13.46 million (14.0% of revenues) in fiscal 2002. This growth reflects strong tax title collections, a 5% departmental spending reduction, and bond premiums, all offsetting a \$500,000 reduction in state aid. Although the town used approximately \$600,000 of the Stabilization Fund, reducing the balance to \$436,000 (0.4% of revenues), there are no further plans to utilize this reserve going



forward. Despite a \$500,000 reduction in state aid in fiscal 2004 and an additional use of \$500,000 in free cash to balance the budget, management anticipates replenishing free cash given strong new property tax levy growth and strict expenditure controls. The fiscal 2005 budget, which has been adopted, includes a 2% increase in expenditures, driven primarily by health insurance. The budget includes an assumption of no contractual salary increases. As new union contracts have not yet been settled, any growth in salaries will place additional pressure on the budget. At 63.3% of revenues, local property taxes are the largest source of operating funds, and current-year tax collections remain well above 99% annually.

#### VIBRANT LOCAL ECONOMY CHARACTERIZED BY SIZABLE AND DIVERSE TAX BASE EXPANSION

Moody's expects continued expansion in Andover's sizable \$5.6 billion tax base given its favorable location, diverse high-end employment base, and availability of developable land. The town has seen solid growth rates, averaging 9.7% annually since 1999, reflecting continued expansion of commercial and industrial properties and sustained value appreciation captured in last year's revaluation. While growth is expected to slow from past years given more modest new construction growth in fiscal 2003, management continues to see development plans spanning across all sectors. Benefiting from its location at the crossroads of Route 495 and I-93, the town has a number of large industrial parks and corporate campuses, including Raytheon (rated Baa3), Genetic Institute, and Gillette (rated Aa3). Future development includes the expansion of Eisai Laboratories' U.S. headquarters, located within the community, and the continued development of the Boston Properties' site, adding over 100,000 square feet to the existing facility. Residential development is expected to continue with the construction of apartment and condominium units, which management expects will have minimal infrastructure costs for the town. Wealth indices in Andover remain well above average and the full value per capita is a very strong \$178,886.

#### MANAGEABLE DEBT POSITION WITH HIGH LEVEL OF SELF-SUPPORT

Despite future borrowing plans, Moody's expects the town's 1.7% overall debt burden to remain manageable given an above-average amortization schedule (68.5% in ten years), and a large proportion of debt supported by user fees. When state school building aid is included, the debt burden declines to a more modest 1.2% of full value. Long-term borrowing over the next five years includes another \$11 million for sewer system upgrades, and \$4.5 million for water treatment plant upgrades. Both projects are supported entirely through user fees.

## KEY STATISTICS

2000 population: 31,247

2004 Full value: \$5.6 billion

Full value per capita: \$178,886

MFI as % of state: 170.0%

PCI as % of state: 158.5%

Overall debt burden: 1.4%

Adjusted burden: 0.9%

Payout of principal (10 years): 63.1%

2003 General Fund balance: \$13.81 million (11.6% of Current Fund revenues)

2003 Stabilization Fund: \$436,000 (0.4% of revenues)

Post-sale parity debt: \$89.4 million

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## Massachusetts Department of Revenue- Division of Local Services

### Excerpt from "Moody's Definitions of Long-Term Bond Ratings"

Source: Moody's on Municipals, An Introduction to Issuing Debt

#### **Aaa**

Bonds that are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

#### **Aa**

Bonds that are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

#### **A**

Bonds that are rated A possess many favorable investment attributes and are to be considered as upper medium-grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.

#### **Baa**

Bonds that are rated Baa are considered as medium-grade obligations; i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and, in fact, have speculative characteristics as well.

#### **Ba**

Bonds that are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate, and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes the bonds in this class.

#### **B**

Bonds that are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or maintenance of other terms of the contract over any long period of time may be small.

The bonds in the **Aa**, **A**, **Baa**, **Ba** and **B**, groups which Moody's believes possesses the strongest investment attributes are designated by the symbols **Aa1**, **A1**, **Baa1**, **Ba1**, and **B1**. In 1997, Moody's started to rate new public finance issues using expanded bond rating symbols to include modifiers 2 and 3 to the existing Numerical 1. The modifier 2 indicates that the issue is in the mid-range of its category and the modifier 3 indicates that it is in the low end.

## Moody's Bond Rating: Aaa Rated Municipalities as of October, 2004

### MUNICIPALITY

ANDOVER	Aaa
BELMONT	Aaa
BROOKLINE	Aaa
CAMBRIDGE	Aaa
CONCORD	Aaa
DOVER	Aaa
HINGHAM	Aaa
LEXINGTON	Aaa
NEWTON	Aaa
WAYLAND	Aaa
WELLESLEY	Aaa
WESTON	Aaa
WINCHESTER	Aaa